THE NAVY AMERICA NEEDS

By Melvin F. Talbot

HE NEW YORK TIMES COMPANY

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produce stored in barns and warehouses." The draft of the report was sent to more than fifty economists and agricultural experts in all parts of the world for criticism and correction. The resulting volume stands, therefore, as an exceptionally authoritative survey of agricultural conditions and problems. Of special interest are the accounts of producers' cartels and attempts at price stabilization. Valorization schemes are declared to be ineffective unless accompanied by limitation in production. The group has not been satisfied with presenting a vast amount of fact and analysis, valuable though they may be; throughout the survey we are given carefully matured conclusions that were reached after study and discussion. Since it is shown that the farm problem is not susceptible of solution by any one nation alone, once more we are forced to realize the need for international thinking.

ACROSS THE GOBI DESERT. By Sven Hedin. Translated from the German by H. J. Cant. New York: E. P. Dutton & Co., 1932. $5.

It is impossible to obtain a clear picture of the final achievement of the Sino-Swedish Expedition, which was led by Sven Hedin into Central Asia some years ago, because apparently the expedition or one of its many independent portions is still in existence somewhere in the Far East. Mr. Hedin's story in this book is made up of an engrossing recital of events which took place as the immense caravan traveled from Peiping to the distant province of Sinkiang: a recital concerning stampeding camels, Chinese porters, robbers, sandstorms and other experiences on Asian deserts. Taken merely as a story of adventure, *Across the Gobi Desert* is an interesting account of what life may be like to explorers in the wastes of China, although it is written (or should we say "translated"?) in what is always informal and at times awkward English. The geologist, anthropologist and meteorologist or the interested layman will have to look elsewhere to find out what was achieved by the twenty-eight European and Chinese scholars under Mr. Hedin's guidance.

PRINCIPLES OF BANKING AND FINANCE. By George W. Edwards. New York: The Ronald Press Company, 1932. $4.

The failure of 4,000 banks in the United States during the past three years has focused the attention of financiers, economists and a large portion of the lay public on our banking structure. Dr. Edwards here supplies a foundation for the sorely needed re-examination of our banking system. His explanation of banking practices and the accompanying credit instruments is informed and scholarly, and the wealth of illustrative material taken from actual commercial and banking transactions and the attempt to subject the principles enunciated to statistical measurement are highly valuable. Because much of the volume was written during the present depression, it is concerned with the application of the principles of finance to the important problems confronting the public. From that standpoint the work of Dr. Edwards is particularly new and valuable.

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and brilliant narrative will, I think, convince the reader that there was much more in the late-Victorian situation than that. True it is that Gladstone pursued an impossible path. The first home-rule bill was entirely his own. He did not take his Cabinet colleagues into his confidence. He worked out his plan as a lonely venture, and every happening of the crucial year 1886 shows that, whether it would ever have been possible to get Chamberlain into the home-rule settlement or not, at a time when a co-operative effort towards settlement should have been made by English Liberals and Irish Nationalists, the solitary Gladstonian method, and the old man's inability to realize what was happening in his party, must have involved the loss of a unique opportunity. Well, we have had the famous story told in all the full-length political biographies in Gladstone's, Parnell's, Salisbury's, John Morley's, William Harcourt's, Asquith's, and the rest; and here it is from the Chamberlain standpoint, told with all the power and glow, the marching paragraphs, the unflagging delight in action and moral conflict which the editor of the London *Observer* displays in a degree unsurpassed among his contemporaries.

I have a feeling that in some respects the life of Chamberlain should make a more direct appeal to American readers than the biography of any other English statesman of his time, for one reason above all—that this man did not belong in any sense to the social-academic world in which all the English Whig and Tory statesmen moved, from Melbourne and Palmerston to Rosebery, Curzon and Balfour. He was a product of the commercial middle class; his family were religious dissenters through the long period when the sons of Nonconformists were barred from the old universities. Chamberlain had nothing to do with the social interests and amusements of the class toward which he gravitated after the break with Gladstone. There is, I suggest, a fascinating parallel to be drawn between Joseph Chamberlain after his fiftieth year and Ramsay MacDonald after the extraordinary turn in his fortunes which came in 1931 with the abandonment of the Labor-Socialist leadership and the acceptance of the Premiership in a national government dominated by Conservatives; and in that parallel one point would be of quite exceptional interest, namely, the fact that in some ways Mr. MacDonald is more at ease in the great world of privileged England than Joseph Chamberlain ever could be.

It is not easy to form a judgment as to the probable place that Chamberlain will hold in the ranks of British statesmen. He was a powerful influence in England for thirty years of political and social change, but he was afforded almost no opportunity of showing what he could do in the governing of the country. For many reasons it is to be regretted that the Premiership did not fall to him, for, as he was himself accustomed to say, no place in the Cabinet was worth having except the first. He was probably the most efficient man in English public life after Gladstone's wonderful prime, as he was undoubtedly the sharpest and the most determined. He was the first Radical-Liberal to realize that the land problem was bound up with the tangled social problems of the great cities, and he was probably the only politician before 1900 who, if he had not been deflected, might have hammered out a policy upon which the middle-class voters could have been united with the manual workers. But what, after all, can we make of such speculations as these? Chamberlain lived to be the architect of the Boer War (which he hated), and to be the crusader on behalf of the protective tariffs which Britain was to reject until such time as his own son, in an indescribably different age, was to find himself in a position to carry his father's scheme into effect. Joseph Chamberlain was a deeply frustrated statesman; but his life, in the hands of a masterly biographer, makes an astonishing record of adventure, passion and accomplishment.

A Study for Regional Planning

By MAYNARD SHIPLEY

HUMAN GEOGRAPHY OF THE SOUTH: A Study in Regional Resources and Human Adequacy. By Rupert B. Vance. Chapel Hill: University of North Carolina Press, 1932. $4.

A MONTH before his inauguration Franklin D. Roosevelt announced the inception of a great experiment in utilizing for public benefit the natural resources of mountains, watersheds, rivers, valleys and plains, with the coordination of reforestation, reclamation, flood control, elimination of marginal land, and "a power project that will revive the territory extending from Southern Virginia to the Gulf of Mexico, with the development of Muscle Shoals as a central feature." When this announcement was made public, a metropolitan newspaper said: "Whether Mr. Roosevelt's scheme * * * has merit or is an iridescent dream, one would be rash to try to pronounce without knowledge both of the capabilities of that region and of more details of the plan."

As if made to order, there now appears a complete survey of "the capabilities of that region," the work of Dr. Rupert B. Vance, Research Associate of the Institute for Research in Social Science of the University of North Carolina. So fully and impartially does this study answer any legitimate question that may arise in the mind of the inquirer that the volume leaves one with the conviction not only of the feasibility of the Roosevelt plan but also of the criminal negligence, in view of the financial and business difficulties now faced by the nation, of failing to take advantage of the resources offered by the great undeveloped South.

"Regionalism and the new geography," says Dr. Vance, "afford a point of vantage from which this volume views the American South as a test of human adequacy to muster the resources of its region and to develop thereon a distinctive and competent culture." In his study of the interaction of man and nature in this vast and incredibly rich and diversified region, the author finds that it is only through historical and cultural maladroitness that the section has failed to realize its potentialities.

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vith the view, taken by the Socialists as well as he socialistically inclined bourgeois economists, hat the cartel, as well as the other forms of ndustrial concentration, is merely a prelude to complete State control of economic life and that such institutions are to be valued primarily because they will facilitate the change. The very nteresting Chapters VII and XL are devoted argely to a refutation of that claim. According to Liefmann, competition, as a means for achieving profit, has not been eliminated, but has merely been changed in form by the combinations on the part of the producers and consumers. He supplements Proudhon's remark hat competition kills competition by pointing out that monopoly, unless it is established by egal status, also kills monopoly and restores and, perhaps, intensifies competition among he few strong survivors.

He fails to point out, however, that long before private monopoly reaches its ultimate development, or when the struggle between the few survivors becomes too disturbing, the State s likely to find it necessary to intervene. It should also be pointed out that Liefmann does not give sufficient attention to the fact that the State may also have to intervene to save private industrial and financial aggregations from collapse during a depression. To those familiar with the examples of State intervention in the German banking and industrial situation during the depression, it is rather difficult to magine that they will not exercise a pronounced influence on competitive conditions in Germany for some time to come. Whether the State will have to go to the extent of complete socialization will probably depend primarily on political developments, which nobody is in a position to forecast.

To the American economist, the interest and value of Liefmann's book lies primarily in the bearing of the whole subject of cartels on our own attitude toward the anti-trust laws. It may be assumed that a liberalization of such laws would probably lead to a conversion of some of our trade associations into cartels, which, of course, would make it necessary to replace the anti-trust laws by some measure for regulating the relations between the members of the cartel as well as those of the cartel to he public. It is interesting to speculate how n American cartel would manage to survive he competition from outsiders, considering the comparative ease with which capital may be obtained in the United States under normal conditions, or how it would adjust itself to the problem of expanding consumption by a reduction in prices and more highly developed distribution, or how it would regulate technical improvements, or how the individual producer would reconcile himself, under certain forms of cartel, to turning over his distribution to a joint agency and keeping away from direct contact with the market. It might also be interesting to speculate on the possible reaction of the American public to the methods used by the cartels in fighting competition from outsiders, some of the German methods cited by Liefmann being strongly reminiscent of the technique of our primitive trusts.

The part given to international cartels is also of timely interest in view of the forthcoming Monetary and Economic Conference, which is expected to consider the possibility of producers' agreements as a solution of the price problem. Some students of the international cartel movement will not agree with Liefmann's opinion of the effect of the depression on international cartels, especially since in the appendix he lists the copper cartel among the sturdy survivors.

The translation, while competent in the main, suffers in part from a tendency toward literalness, which, in the case of some technical terms, is rather disconcerting.

BRIEF BOOK REVIEWS

FOREIGN AFFAIRS BIBLIOGRAPHY. A Selected and Annotated List of Books on International Relations 1919-1932. By William L. Langer and Hamilton Fish Armstrong. New York: Published for the Council on Foreign Relations by Harper & Brothers, 1933. $5.

Since the World War tens of thousands of books have been published in the United States and abroad dealing with international relations and a great many of them in whole or in part are unreliable. Yet on even the most controversial subjects there are works that are sound in fact and critical in approach and conclusion. The authors of the *Foreign Affairs Bibliography* have sought to guide teachers, students and writers through this vast library by briefly evaluating some 7,000 important books on various aspects of international affairs published since 1919. On Russia alone nearly 600 titles have been classified and criticized. The vast literature of the World War, occupying seventy-five pages, has been organized and appraised with especial care, and the particular bias of each of the host of studies on the war-guilt question has been summarized. When significant books of controversial character have elicited books in "reply," the latter are listed as, for example, the many "answers" to Katherine Mayo's *Mother India*. Cross-references are provided wherever necessary and at the end of the volume there is an index to authors. This *Bibliography* is a reference work of great value, for which students must be most grateful to the Council on Foreign Relations under whose auspices the authors have performed efficiently a tedious task.

MANCHUKUO, CHILD OF CONFLICT. By K. K. Kawakami. New York: The Macmillan Company, 1933. $2

The author of *Japan Speaks* presents in this volume the Japanese view of the origin, organization and problems of the new State of Manchukuo. He also brings his brief for Japan up to date by criticizing the recommendations of the League's Committee of Nineteen, the verdict of the League Assembly and the chaotic conditions in China. On various grounds he contends that the subjugation of Jehol Province and its addition to Manchukuo were imperative. Mr. Kawakami does not disguise his apprehension that the problems before Manchukuo are stupendous and that the traditionally corrupt administration of the Chinese may defy reform. Nor does he disguise the possi-

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The Navy America Needs

By MELVIN F. TALBOT
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How large a navy does the United States need? The usual answer is, "An adequate navy," but adequate for what? Naval policy in the polite language of diplomacy declares that, "in conformity with treaty provisions," America should maintain a navy of "sufficient strength to support the national policies and commerce and to guard the continental and overseas possessions of the United States."

In the face of so clear an official statement, it would appear the boldest presumption to ask for further explanations, and yet, upon closer analysis, the naval functions listed become meaningless. Logically, navies have only one reason for their existence—success in the next war at sea. All other tasks are subordinate to this single and supreme purpose, and all are contained therein. When we prepare for war, we prepare for coast and commerce defense, for the support of American policies and for the protection of overseas possessions. Unlimited preparation, however, is no longer allowed. Preparedness for war must now conform to the limits of the London and Washington treaties. To attain the navy which by agreement forms our quota of the balance of world sea power is today and will long continue as the be-all and end-all of American naval policy.

But what are the implications of each of the purposes listed in the official statement of our naval policy?

"To support commerce." Surely this would seem at first sight a peacetime function, a rightful and merciful duty to be performed without hostilities against, but rather in alliance with, other navies. In reality, however, it is hardly a naval function. Anti-pirate police on the Yangtse, though assigned to naval ships, is essentially river-police duty. It necessitates specially designed gunboats. Were it our only problem, we could scrap all other types. Battleships like the Maryland are not built to protect commerce in times of peace, nor are cruisers like the Houston. They are built to sink other Marylands and other Houstons in the hour of battle. Surely the statement of American

naval policy implies far more than anti-pirate police, when it speaks of the support of commerce as a guide to naval adequacy.

What of the protection given to American trade against revolutionary disturbances in Central and South America? It is an arduous duty requiring the employment of naval ships and the service, and often the lives, of sailors and marines. Here, again, the use of force is not primarily a naval task. Chaos or tranquillity in the countries to the south may possibly dictate the size of the Marine Corps or even the number of transports kept in commission, but it does not concern the active combatant fleet. Swift cruisers, however excellent they may be as emergency transports, are not built as such. American traders in areas of chronic revolution are fortunate that these ships are ever ready to furnish them protection and support, but this duty is extraneous and essentially non-naval. It cannot logically be used as an argument for the maintenance of the present establishment. Let us make an end of half-truths. Battle fleets are not built to support commerce against banditry, piracy, or revolution; they are built to fight other battle fleets in tremendous and, please God, impossible wars.

"Support of commerce" might be taken to mean the extension and encouragement of shipping and foreign trade, but here we are dealing with economics and not with armed conflict. It is true that during the four centuries since the Age of Discovery, centuries that witnessed the expansion of Europe into the Western Hemisphere, Africa and parts of Asia, the sea-borne commerce of the great maritime nations was often established, protected and extended by the actual use of armed force. Behind the East India Company stood the ships of the line. Quick wealth was to be had, new lands to be settled, ancient empires to be pillaged. "What we want," wrote Monk, "is more of the Dutch trade!" Back of the navigation acts stood the fierce fleets of the Puritan Admirals and Generals at sea.

Today times have changed, even if the terminals of the Panama Canal and the South Manchuria Railway have the sure protection of naval forces. The old conditions of monopoly and exploitation abroad have, for the most part, passed into history. Within the few remaining areas of continuous disturbance, the opportunity to buy, sell and lend may still be more readily and more fully granted to the nations that are strong at sea. Exactly how far the channels of trade are thus diverted from their normal course is a matter of opinion. It is far from certain that today "trade follows the flag," supported by a powerful navy, in preference to the salesman who offers the best bargain, sells most cheaply, buys at the best price and lends at the lowest interest rate. Not by interpreting support of commerce as its extension and encouragement shall we find a criterion of naval adequacy.

There is another and more important support which the navy can give to commerce—the vindication of neutral rights. But here the problem is one of war—or the threat of war—rather than of commercial policy. Neutral rights have been in the past and will be in the future enforced against the conflicting rights of belligerent blockade only in so far as the blockader fears the strength of the neutral navy or, more specifically, its alliance value to his enemy. Neutral merchantmen and neutral non-contraband cargoes will pass the far-flung forces that seek to close the seas by an illegal extension of blockade not because of the strength of their immediate cruiser escort but because of the might of the entire battle fleet of which these cruisers are but a detached unit. Had the United States wished to push its case against the "Kirkwall Practice" in 1916, the smallest gunboat would have been as fitting an escort for a

test voyage as the most powerful squadron of battleships. Either would have symbolized the strength of the American fleet as a possible ally of Great Britain's foes.

Vindication of neutral rights, like every other essentially naval function, rests solely on potential wartime strength. The problem of neutral rights remains one of international law, national policy and, in the last analysis, naval preparedness. In these terms it can be understood; in terms of the support of commerce it is meaningless. Actually, the support of commerce cannot be taken as a guide to naval adequacy. The need for fighting ships and naval bases can be measured only by the likelihood of war and the strength necessary to win. The American Navy, built for victory in war, as far as such a fleet is possible under present treaty restrictions, will more than assure American commerce all possible support in times of peace, whether against pirates at Woosung, against rebels at Managua or against the complete blockade that might be imposed in a future war in which sea power served as the avenging sword of the League of Nations. This naval force will be adequate or inadequate not by its ability to support commerce but rather by its power to achieve victory.

"Support of commerce" really means wartime protection of sea-borne trade—a definite and important function of maritime strategy. The weapons of sea power are like the trident and the net of the Roman gladiator; with the blows inflicted by a battle fleet the enemy is crippled; by cruiser blockade and commerce control he is slowly strangled. The long duration and vast proportions of the last war at sea, the lack of any decisive engagement between the two main fleets and the cruel inroads made on Allied shipping by the counter-blockade of the German submarines have tended to emphasize commerce protection and commerce destruction as the great strategic objects of war at sea.

How far conditions in the future would be analogous it is impossible to predict. The protection of sea-borne trade while destroying enemy commerce may again prove to be the final and most telling phase of naval war. Especially is this true of conflicts involving those nations most vulnerable to blockade—island empires whose sea communications extend into distant waters. From these considerations spring the historic British naval philosophy which demands "cruisers on all stations" over and above those necessary as supporting light forces attached to the battle fleet. But here again we are considering war, not peace. Strategically, the support of commerce is a naval problem dictating the numbers and the types of cruisers regarded as necessary for some measure of safety against enemy raiders in home waters and at focal points along trade routes.

If the consideration of commerce support brings us back to preparedness for war as the only logical measure of naval needs, what is meant by "support of policies"? Is this, too, a function not of peace but of war? Fundamentally, it is. Some policies need no support; their inherent justice recommends them to acceptance by all nations. But there are policies that have in the past thwarted or may in the future thwart the ambitions of other powers. Whatever support the navy gives to that part of American diplomacy which needs it is given through the veiled threat of war.

In certain areas the basic tenets of American foreign policy are unquestioned; and in these same areas the fleet rules supreme. No nation thinks seriously of disputing what might be called the "Caribbean Policy" of the United States. By the accident of geography and the course of past events the Caribbean has become a zone of American control. Here the maintenance of some semblance of

stable government is an American duty and right. The United States pays the price and assumes the responsibility arising from the assertion that no other nation shall collect debts or protect its nationals by injecting its naval power into this sphere. For better or for worse we have taken unto ourselves the defaulted bonds and all the troubles of ineffectual governments. No one disputes our right to do so, for the region to which our Caribbean policy applies is within striking range of the United States Fleet. We need not threaten war, for none thinks to challenge us. The Monroe Doctrine, of which the Caribbean policy is but one phase, rests on the ability of the American fleet to maintain it, and not on its acceptance as an integral part of international policy.

In contrast, other aspects of American foreign policy are subject to constant "re-examination" and "reinterpretation," especially those that concern regions beyond our control, where they seem at times to conflict with the equally vital policies of other nations. Never have the issues been pushed to the point of war. Should diplomacy ever fail in the search for a just and peaceful solution, and the questions involved be aggravated and embittered by extraneous issues and unfortunate incidents, as was the question of impressment before 1812, American policies would become the gage of battle and would succeed or fail with the success or failure of American arms. Navies as supports of diplomacy are strong or weak in direct proportion to their readiness for victory against those who threaten the aims of that diplomacy. Unless we are to content ourselves with pleasant but meaningless maxims, we must, therefore, abandon "support of policies" and return to preparedness for war as the only tenable naval formula.

"To guard the continental possessions of the United States" is a self-evident precept of naval policy. It implies a possible state of war and threatened invasion. Even the most enthusiastic advocate of disarmament would scarcely question the wisdom of standing ready to protect the American coasts. In his reply to the attacks of the Navy League, President Hoover used this basic need to refute the allegation that the fleet had been starved and neglected. "We now possess," he declared, "sufficient naval strength to assure that no foreign soldier shall land upon our shores." Defense against invasion is, in fact, the basic requirement of fleet strength, a kind of irreducible minimum which is directly related to the possibility of invasion and to the power of the most obvious invader. A purely defensive concept, it involves a fleet less strong at sea than the one usually advocated.

"To guard the overseas possessions of the United States" is a far different problem. A navy slightly more powerful than that necessary to protect the continental coasts could also guard the Caribbean and the Canal, regions within American naval control. Even Hawaii might be included in the protective zone of this purely defensive fleet. But the Philippines lie far beyond the widest limits of our striking range and close to the vital strategic areas of the Japanese Navy. Almost from the day of their capture from Spain these islands have been hostages to fortune. To be able to guard them means nothing less than to achieve preponderance sufficient for victory in the Western Pacific, a definite naval preponderance securely based in the Orient. Today this can be won only by the abrogation of the naval treaties and the renewal of competitive building with all its dangers.

The safety of the Philippines, therefore, merges into the grand strategy of a Pacific war, in which the object would no longer be the immediate defense of the islands but rather the defeat of the enemy. In reality, the question of Philippine protection is but one phase of a very complex war

problem, a struggle that would involve almost untold sacrifices in treasure and in blood. Perhaps the islands would become the battle-ground of empire. Perhaps the dictates of war would lead American arms elsewhere. But as the war went, so would the islands go. Their defense could be bought for no less than the cost of victory in the Far East.

It is not easy to translate the formula "readiness for war at sea" into terms of a definite naval establishment. Who is to be the enemy? Where and with what forces must the next war be fought in order to be brought to a swift and victorious conclusion? What will be the attitude of neutral nations? How far will preparations for victory be offset by the counter-preparations of the prospective foe? And last and most important, what are the implications of the Washington and London naval treaties? These questions must be answered before the United States can define the fleet strength it seeks to create.

At the outset certain possible wars can be passed over as of such minor importance that even the slightest naval preparation is sufficient to assure victory. Some others would be either impossible or of such an extent that preparation for victory or even preparation against defeat would entail too great an effort. It can be safely assumed that the United States will always have strength sufficient for victory if the only enemy is one of the minor navies. Likewise it can be accepted that never in times of peace will America be prepared to face, single-handed, an alliance of the other great naval powers. The problem is thus one of a possible war in the Atlantic against the strongest Atlantic navy or in the Pacific against the strongest Pacific navy.

It might be well to pause in order to make it perfectly clear that the consideration of these wars does not mean that we think them likely, much less that we think them desirable. War against Great Britain is often regarded as unthinkable, and so it is to all who value the continuance of that civilization based on the ideal of personal freedom to which the Anglo-Saxon tradition has contributed so much. No greater calamity could befall the war-weary and impoverished world. It would be a "last dim, weird battle of the West," sealing the doom of "the goodliest fellowship * * * whereof this world holds record," the fellowship of a century of peace, of a common language, a common tradition and a common concept of international justice. But while the two almost equal fleets exist, those whose duty it is to plan for all contingencies, however improbable, cannot completely ignore a possible conflict.

Similarly in the Pacific, despite the fact that there is no reason for war today nor can there ever be as long as the people and the statesmen of Japan and the United States are actuated by a modicum of good-will or even of common sense, the very existence of the two fleets and the historic and sometimes seemingly conflicting policies of the two nations must of necessity lead both to consider the possibility of armed conflict in evaluating naval needs. To discuss a certain war does not mean to wish for it. It means exactly the opposite. A carefully prepared war plan, picturing, as it must, in cold and technical terms the infinite waste and suffering involved, would be a document which would, if published, prove a far greater deterrent to war than a sheaf of treaties or a library of anti-war literature.

If the possibility of wars in the Atlantic and the Pacific are considered, the first thought that arises is of a war on two fronts, or at least the necessity of guarding one while fighting on the other. What if the Anglo-Japanese Alliance were to be revived? Must America, to assure not only victory but her very existence as a great power, plan for this eventuality? The obvious answer is that such preparation is beyond our will,

if not even beyond our capacity. The building program conceived during the World War was bringing the United States to a position on the eve of the Washington Conference which would have given naval preponderance in both oceans. Those few who regret the loss of that opportunity fail to consider the ominous counter-preparations that were even then in progress in Great Britain and Japan.

The super-Hoods had reached the blueprint stage. Those ships and still others would have been built had we finished the 1916 capital-ship schedule. To doubt this is to doubt the determination of the English race to defend their seas where "never a wave of all her waves but marks the English dead." Something of the same stern resolve to control her vital home waters was apparent in Japan. The "eight-eight" program was well started, and other powerful ships were contemplated. The Japanese, who more than almost any other race owe their very existence as a nation to the sword, were ready to meet the cost of a navy whose ratio to the American would have been about the same as the present ratio of the two fleets. This is their margin of safety. And, finally there was the Anglo-Japanese Alliance.

As in 1922, so today, even were we free to resume unlimited construction, it seems unlikely that we could succeed in outbuilding a renewed Anglo-Japanese Alliance. An attempt to do so would probably bring on the very war which American construction had sought to avoid. There is neither peace nor security for the United States in the pre-war policy of unlimited naval expansion which was wisely abandoned in 1922 for an equal place with Great Britain in a new balance of world sea power.

Granted the eventual material equality with the British fleet which forms the basis of the Washington and London treaties (an equality we do not now possess), what would be the probable outcome of war in the Atlantic? No one can definitely say. But, as one watches the two fleets advance and retreat over the strategic charts in mimic wars, sees them scatter for scouting and for commerce protection and concentrate for terrific battles on the game board, and as one analyzes the somber diagrams of comparative damage, the conclusion that arises is that an Atlantic war cannot be won by either of the fleets of Britain and America. It could be won only by an accumulation of naval power through new building and through alliances which would finally give to one contestant the preponderance necessary for victory.

If victory should crown American arms, our success would have come in part from our ability to add new and mightier ships to our fleet and, even more, as a result of alliances with which our statesmen had reinforced our strength at sea. Without allies we can hope for nothing beyond the lame and impotent conclusion of dreary and sterile campaigns. When reviewed in the cold light of naval research, our policy of complete and glorious isolation no longer seems a sure shield for the future. The time may yet come when we shall have need of powerful friends. The most bigoted isolationist, were he carefully to study the implications of any major war in which we must fight single-handed, would relegate to the dead past all notions of our vaunted self-sufficiency.

A fight to the finish between the two equal fleets would be sheer madness. It would leave the victor too badly damaged to be able to utilize the advantage for which his Pyrrhic victory had been won. It would involve losses so serious as to surrender Great Britain's vital waters to the Mediterranean navies, while, in the Orient and over the whole Pacific our damaged fleet would be too weak to question Japan's complete control. Even were the Admirals willing, statesmanship could not and would not permit a decisive fleet battle in the Atlantic. Success on the field of

battle that leaves the victor powerless to garner the fruits of victory is but a barren and purposeless calamity. Victory presupposes not parity but preponderance. It was with a clear understanding of this great military truth that Secretary Stimson wrote: "Equality in fighting strength is a formula for peace, not for war." With fleet parity, war against Britain is in reality unthinkable even to the most extreme Anglophobe militarist. The strongest assurance of peace today lies in the creation and maintenance of the treaty balance of naval power—"in conformity with treaty provisions." That alone gives meaning and substance to American naval policy.

In the Pacific the United States is allotted by treaty, not parity, but an approximate 5-3 ratio of superiority. If eventually we attain this ratio, does it promise easy and immediate victory? Again a close examination of all the factors involved shows that single-handed we would even then be powerless quickly to vanquish the squadrons that today guard Japan's island empire. More important than the much-discussed fleet ratios was the provision of the Washington treaty by which America renounced the right to extend her Far Eastern bases. As a vital part of the agreed division of sea power, we gave into Japanese hands substantial control of the Orient. Never, except immediately before the Washington conference, had we thought seriously of disputing that control.

As in the Atlantic, so upon our other front, if reason and moderation are destined to fail and war must come, victory will be gained either as the result of prolonged and titanic operations by which our whole national strength is finally marshaled in distant seas, or, more quickly and more mercifully, by our present navy allied to other maritime powers in a common cause. Secure in her own home waters, Japan has by great sacrifices achieved the mastery of the Far East. Only the flagrant misuse of the position so dearly bought can endanger her future by arraying world opinion against her. During the past century, we have claimed and exercised control in the areas covered by the Monroe Doctrine, while Britain's fleet has ruled the northeast Atlantic and the Mediterranean. For both nations it seemed the culmination of a manifest destiny. Today in the Orient similar forces are working themselves out. The strategic charts show three definite naval spheres where the controlling fleet is secure against any one of the others. We can no longer think of war as merely a question of armed strength, of tons and guns. With the balance of power established by the naval treaties, the problem has passed into the domain of statesmanship.

Here, then, is the answer to our question, "What is an adequate navy?" It is the completed fleet which forms our share in the agreed apportionment of sea strength. It is the naval establishment adequate to defend our zone of control and by its mere existence to act as a counterweight to foreign fleets in the world balance of naval power. Its limits today in numbers and types are those of the Washington and London treaties. A lesser fleet imperils the balance. There is no other measure. Support of commerce and policies, defense of coasts and overseas possessions—none of these oft-repeated tasks really dictates naval adequacy. All are relative to readiness for war.

The logical and absolute measure, "readiness for victory in war at sea," has itself been modified by the restraining hand of diplomacy. Adequacy can no longer be defined as adequacy for victory. In the cause of peace we have given and taken pledges that embody in naval ratios the equal and acknowledged right of each nation to defend its own narrow seas. No other solution seems possible. Neither national pride nor historic claims to an ancient and dearly bought preponderance nor inherent wealth is

today accepted as justification of a threatening superiority. To one who studies the history of the last half-century and notes how the theories of Captain Mahan and the restless energy of that great naval materialist, Admiral Sir John Fisher, piled ship on ship, each mightier than the last, in the mad race that led to August, 1914, a final balance of naval power seems to be a logical and almost preordained answer to the persistent problem of competing armaments. It is the middle road between the honest urge of sailors for the fighting ships that promise ready victory and the deep desire of all peoples that a troubled world shall at last find peace.

Unless war comes to abrogate all treaties and to upset all balances, these ratios, on progressively lower levels, seem destined to remain as the basis of a permanent division of maritime power. With a logic that transcends purely naval reasoning, each of the three great sea nations has conceded to the others the right to a fleet sufficient to defend its vital areas unless it be attacked by the combined might of a naval alliance. Surely we can trust that such an alliance will be formed only if aroused world opinion is forced to act through the agencies that seek to array all peoples against any power or group of powers which may break its plighted word by again employing aggressive war as an instrument of national policy. The soldiers and the statesmen have joined hands. The naval balance is part and parcel of those forces in post-war diplomacy which seek to draw the nations together in common cause against war.

There is a school of naval thought which is reluctant to accept the full implications of this balance of sea power. The fairness of America's quota has been honestly and repeatedly questioned. Each succeeding treaty has been criticized as a surrender of national interests and even as an abrogation of sovereign rights. No one can deny that unlimited preparation for war is inherent in sovereignty. But it is not a right which a nation can exercise without arousing the suspicion and eventually the hostility of those against whom its armaments can be used. Beyond a certain point preparations inevitably beget counter-preparations—and war. In the sphere of naval armaments, the regions of unrest are those where unlimited competition still exists—competition either for superior fleet strength or for new types of fighting ships. The relatively high total of French submarine tonnage, half again as much as that allowed the three strongest navies, cannot be overlooked by the British. The novel German "pocket battleships" are to be countered by French battle cruisers of a new design, which are "regarded with interest" by those charged with Great Britain's maritime defense. Unrestricted Franco-Italian rivalry today sets the standard for Britain's navy and, as a result, for the American and Japanese fleets. The cause of world stability, which means increased security for each and every nation, would be well served by the inclusion of all navies in the balance of power.

Until the time shall come when all countries, the military as well as the naval powers, are genuinely willing to put away the sword, national security and America's position as a great nation will continue to demand that naval adequacy which is measured by our quota in the world balance of naval power. Until the day when navies shall disappear we can well follow the wise advice given to Henry VIII, founder of Britain's sea power—"to nourish trade and to keep the Admiralty, that you be master in your Narrow Seas."

[The opinions and assertions contained in this article are the private ones of the writer and are not to be construed as official or reflecting the views of the Navy Department or the naval service at large.]

Japan Defies the World

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"MANCHURIA belongs to us by right," shouted Yosuke Matsuoka from the tribune of the Assembly of the League of Nations. It was a word of confession not in the prepared manuscript which the Japanese representative was reading. In the rush of emotion Matsuoka abandoned his more carefully phrased address and spoke, for the moment, freely. Thus he abandoned also the pretense which Japan has sought to maintain for more than six months, that Manchukuo is an independent State. The Japanese admission was not necessary. The Assembly had met on Feb. 24 to approve the report of the Committee of Nineteen. The vote was already determined. No one has ever seriously entertained any other idea than that Japan claims Manchuria as hers by right.

The report of the Committee of Nineteen, prepared under authorization of Article XV, paragraph 4, of the covenant after all efforts at conciliation had failed, contained the following recommendations: (1) The covenant of the League, the Pact of Paris and the Nine-Power Treaty of Washington should apply to the settlement of the Manchurian dispute; (2) the member States should not recognize "any situation, treaty or agreement" which might be brought about by means contrary to treaty obligations; (3) military pressure should cease; (4) the settlement of the controversy should follow the ten recommendations of the Lytton report; (5) negotiations between Japan and China should be carried on under the supervision of the Assembly of the League.

Thirteen members of the League were unrepresented when the vote was taken, ten of them South American countries. Siam abstained from voting. Japan voted "No"; forty-two, including all the great powers, voted "Yes," thus placing upon Japan such a censure as never before rested upon any sovereign State.

Matsuoka rose and with firm step marched from the Assembly, his assistant following. Later in the day the Assembly passed a resolution to appoint an advisory committee "to follow up the situation." The committee will comprise the old Committee of Nineteen with Canada and the Netherlands added. In it the great powers are, of course, greatly in the minority. The resolution also provides for inviting the United States and the Soviet Union to cooperate. The Assembly is to remain in session subject to the call of the president.

The following day Senator Cordell Hull issued a statement forecasting in broad terms the principles of the proposed foreign policy of the new Democratic administration in which he had just been designated as Secretary of State. Specific questions were mentioned only in general terms, but emphasis was laid upon "the observance of both the letter and the spirit of treaties" and upon "sane and realistic international cooperation." These two principles are as equally applicable to war debts and tariff questions as to the Far Eastern situation, but it is difficult to see how these two policies could be applied to Europe and not to the Far East. Certainly there were no words of comfort for Japan in the Hull declaration. Promptly Secretary Stimson replied to Sir Eric Drummond that with the general conclu-

sions of the report of the Committee of Nineteen "the American Government is in general accord." Maxim Litvinov, Russian Foreign Commissar, left Geneva for Moscow on Feb. 26 to place the report and the invitation to join the new committee before his government.

Obviously, we have reached the end of a phase of the Manchurian affair.

Beginning at Mukden, on the morning of Sept. 19, 1931, Japan executed a brilliant military campaign which in seventeen months has placed her in possession of all the railway lines and main thoroughfares from Shanhaikwan, just south of the Great Wall, to a point well above the Chinese Eastern Railway in Northern Manchuria. Japan also has carried on military campaigns from east to west which give her presumptive control from the Korean border to Manchuli near the Siberian boundary. The effectiveness of the control actually exercised is in some doubt. The territory is about the size of Germany and France combined. Japan has a thin line of troops scattered along the railways. Just now, in the dead of Winter, Manchuria is quiet; what it will be in the Spring remains to be disclosed. General Honjo is believed to have confessed that pacification will require ten years —*four months* had been the time stipulated in the Japanese military schedule.

There was set up and recognized by Japan on Sept. 15, 1932, the so-called State of Manchukuo. Henry Pu-yi of the line of the Manchu Emperors of old China was installed as Regent. He is surrounded by a host of Japanese military and civilian advisers. It is commonly believed that the Japanese military plans call for the extension of the new State to include North China as far as the Yellow River and then its transformation into a refurbished, if somewhat shrunken, Chinese empire with Henry Pu-yi re-established on what is left of the old peacock throne.

The Chinese have not yet fought a real battle to retain or regain Manchuria. The young Marshal Chang Hsiao-liang, the so-called War Lord of Mukden, with his relatives, retainers and household, each carrying away all he could lift, promptly retreated to Peiping, where they continue mournfully to look back, like Lot's wife upon the scene of their former prosperity. Far from acting like a war lord, Marshal Chang has been more like a pillar of salt. Nor has General Chiang Kai-shek from Nanking done more. In Manchuria guerrilla warfare, raids and assassinations have continued, but there has been nothing to resemble organized defense. It is claimed by the Japanese that the 2,000,000 or more Chinese "irregulars" in Manchuria have received support from Marshal Chang and by voluntary contributions from private citizens. This support, however, cannot be very considerable. There is no way by which it could have been supplied in quantity.

One exception should be made to this broad statement as to the supine attitude of the Chinese Government toward the Japanese invasion. Late in January, 1932, the Japanese attacked Shanghai with an expeditionary force. The city was gallantly and ably, although not successfully defended, not by Marshal Chang who remained secure in Peiping nor by General Chiang who was so busy with the "Communists," but by General Tsai Ting-kai and the famous Nineteenth Route Army of South China. Japan seems now to look upon the Shanghai episode as a bad nightmare from which she withdrew with no glory in May and June, 1932. Before leaving, however, she had done damage estimated at $1,500,000,000 Mex., and there were no less than 24,000 Chinese killed, wounded and missing. There was an even greater damage to Japanese business and prestige. The Chinese boycott was renewed and is more rampant than ever; the Lytton Commission, which arrived before the Japanese evacuation, viewed the de-

struction and gritted its teeth. It is notable that in the discussions at Geneva in the last three months the Japanese representatives have rarely alluded to the Shanghai incident. It was an expensive excursion for Tokyo, a default for Peiping and Nanking, but something of a victory for the Chinese since it demonstrated to the world that somewhere in old China there remains a promising vitality and virility.

The bare chronicle of military events is not at all revealing. The conflict in the Far East is far less military than political. Indeed, politically, the Manchurian affair takes on an importance comparable with nothing else since the adjournment of the Paris Peace Conference. So much has it become a matter of international concern that never before has there been an international event anywhere in the world for which there has been so soon available so much authentic information. Therefore, when we go behind the military chronicle to inquire as to the political facts, we may feel confident that our information is trustworthy and substantially complete.

Immediately after the outbreak at Mukden the Chinese Government made an appeal to the League of Nations. Both the Chinese and the Japanese made available at Geneva a great many official statements of importance. These were issued in a variety of ways through League publications. On Dec. 10, 1931, the Council, acting on a proposal made by Japan, decided to appoint a commission to make inquiry on the spot. Thus eventually came into being the famous Lytton Commission. In the Far East both the Chinese and the Japanese Governments prepared extensive memoranda for submission to the commission. Subsequently, these official statements by the two contestants were published. The commission itself made a judicial report in two volumes. The Chinese and the Japanese were invited to submit memoranda in rebuttal. These likewise were published. There was, in addition, extended debate in the Special Assembly in November, 1932. The Committee of Nineteen, first created by the Assembly on March 11, 1932, and converted into a committee of conciliation on Dec. 6, 1932, reviewed the material already available and prepared a further report which in a spectacular manner was broadcast to the world on Feb. 17. (The complete text was published in *The New York Times* of Feb. 18, 1933.)

The official documentation now available to the public occupies about a foot on a library shelf. In addition, there is a large crop of pamphlet literature, some of it sheer propaganda, but a substantial proportion of it represents impartial, judicial statements of great value by private organizations. The newspaper reporting has throughout been superb. *The New York Times* alone, from Sept. 1, 1931, to Feb. 28, 1933, printed 1,707 columns of news on the Manchurian affair.

Notwithstanding the vast mass of information available, the main points in the controversy are few and not difficult to state.

1. From the outset Japan has assumed the position that the action taken in Manchuria, both the immediate act of seizing Mukden and, subsequently, the military campaigns, including the advance into Jehol, were in national self-defense. In a note to the American Government on Sept. 24, 1931, and in telegrams circulated the same day at Geneva, Japan asserted that she had acted only to insure safety for her nationals. After an exhaustive inquiry by the Lytton Commission, the latter rendered the verdict that the initial military operations of the Japanese troops "cannot be regarded as measures of legitimate self-defense." In order to secure unanimity within the commission, so it is understood, there was added the qualifying statement: "In saying this the commission does not exclude the hy-

pothesis that the officers on the spot may have thought they were acting in self-defense." The committee of conciliation, having reviewed the Lytton report and such additional facts as were made available to them subsequently by the Chinese and Japanese Governments, reported that "the military measures of Japan as a whole developed in the course of the dispute" cannot be "regarded as measures of self-defense." This verdict, not merely on the initial Japanese action but on the entire course of events for sixteen months, was adopted by the Assembly on Feb. 24, 1933.

2. Japan officially contends that the "Government of Manchukuo," which Japan recognized on Sept. 15, 1932, represents a spontaneous, independent movement of the Chinese people. The Lytton Commission reported that the independence movement in Manchuria "was only made possible by the presence of the Japanese troops"; that the new government could not be maintained without the continued support of the Japanese military, and "there is no indication that this 'government' will, in fact, be able to carry out" many of its projected reforms. The committee of conciliation endorses this verdict and the Assembly has recorded in the most formal way its approval of the "non-recognition doctrine."

3. The Japanese have contended that the boycott, although directed, at least in part, by the Kuomintang, is, in fact, under the direction of the Nanking Government through the close association of the one with the other. The Lytton Commission did not clearly answer the question whether the boycott as used by China is, in fact, a violation of international law. The Committee of Nineteen, however, rendered the verdict that, subsequent to the events of Sept. 18, 1931, the boycott "falls under the category of reprisals." This verdict leaves the Shanghai expedition without justification in international law and normally would expose Japan to enormous claims for reparations. As for the use of the boycott before the present imbroglio, the committee merely comments that it "could not fail to make a situation which was already tense still more tense." The attitude of the League toward the use of the boycott cannot fail to be interpreted by the Chinese as an encouragement to continue its use. Presumably it will in the future become an increasing factor in the Chinese opposition to Japan.

4. The Japanese, as signatories of the covenant of the League of Nations, undertook "to respect and preserve as against external aggression the territorial integrity and existing political independence of all members of the League." The Japanese contend that Article X is inapplicable to the present situation since Japan by recognizing Manchukuo has merely accepted an "internal development" of the people of Manchukuo. Japan declares: "If by internal development the territorial integrity of a member is impaired, there is nothing in the covenant to interfere with the right and duty of members to recognize that impairment." The Lytton Commission, by declining to concur in the claim that Manchukuo is, in fact, independent, rejected the Japanese brief. The Assembly likewise has rejected it and reiterated the engagements of Article X.

5. The Japanese have to meet the still more awkward provisions of Article XII of the covenant in which it was agreed that members of the League would submit either to arbitration, to judicial settlement, or to inquiry by the Council any dispute likely to lead to a rupture, and would not resort to war until three months after the award, decision or report. The Japanese contend that "the application of what may be called 'peace machinery,' such as resort to international courts of arbitrators, encounters insuperable obstacles in the case of China. It has been found impos-

sible in the past to make use of these organs even in disputes which did not involve vital interests. The abnormal conditions of China and the fact that the powers refuse, in view of their existence, to modify the abnormal and extraordinary institutions above mentioned is sufficient proof of the impossibility of applying to Chinese disputes the normal 'peace machinery' as constituted at present." This is, in effect, a declaration that Japan believes it cannot obtain justice by arbitration, judicial settlement or through the direct agency of the League. The Lytton Commission rendered the verdict that each of the issues between China and Japan was in itself capable of settlement by arbitral procedure. The Committee of Nineteen went further and declared that "the adoption of measures of self-defense does not exempt a State from complying with the provisions of Article XII." This is an extremely important declaration in international law since its effect is to clarify, and perhaps to offset, the sweeping concession made by Secretary Kellogg when he said: "Every nation is free at all times and regardless of treaty provisions to defend its territory from attack or invasion and it alone is competent to decide whether circumstances require recourse to war in self-defense." Now, four and a half years after this troublesome concession was made, the very powers which endorsed it have, through their representatives at Geneva, brought the doctrine of self-defense back within the control of international law.

6. In the Nine-Power Treaty signed at Washington in 1922 Japan made sweeping engagements not only to respect the sovereignty, the independence and the territorial and administrative integrity of China but also to "refrain from taking advantage of conditions in China to seek special rights or privileges." In the same treaty Japan agreed to confer with the other signatories "whenever a situation arises which in the opinion of any one of them involves the application of the stipulations of the Nine-Power Treaty." Japan apparently seeks release from the Nine-Power Treaty on the ground that China has ceased to "possess and to continue to possess" one supreme government without which a people are not recognized in international law as possessing statehood. Furthermore, Japan has largely rested its defense upon its claim for special rights and privileges not granted to other States under international law, a claim that Japan in the Nine-Power Treaty expressly agreed to forego. Neither the Lytton Commission nor the Committee of Nineteen has discussed at length the engagements of the treaties of Washington. However, the verdict rendered at Geneva renders Japan as legally defenseless under the Nine-Power Treaty as under Articles X and XII of the covenant.

7. Japan has never formally and expressly been charged with the violation of the Kellogg pact. The sweeping exception voluntarily made by Secretary Kellogg, already quoted, would seem to raise grave legal doubts as to whether Japan can, in fact, be held to have violated the Pact of Paris. However, the Assembly has decided that the settlement of the controversy should be sought only by pacific means. The pact has at least been rehabilitated.

8. Throughout the Lytton report and the report of the Committee of Nineteen there runs the color of another and more serious charge against Japan. Nowhere in the Lytton Commission report was it expressly stated, nor has the Committee of Nineteen gone further. At the heart of both the legal and the political differences, however, is the question of Japan's good faith. It seems to have been in the minds of the members of the Lytton Commission that the Japanese never cleared themselves from the suspicion of complicity in the assassination of Marshal Chang Tso-lin on June 4, 1928. The

Japanese policy in the first year of the present controversy was regarded as essentially provocative toward China. The Committee of Nineteen went further and pointed out the provocative attitude of Japan toward the League itself. Geneva has not overlooked the fact that the outbreak began when the Assembly was in session, that many times Japan professed to a desire to prevent the aggravation of the dispute and yet that the area of military operations has steadily increased. The capture of Chinchow on Jan. 3, 1932, was followed a month later by the attack on Shanghai. The recognition of Manchukuo took place before the Lytton Commission had time to file its report. The campaign in Heilungkiang, resulting in the pacification of the region westward toward Manchuli, appears to have been timed to impress the meeting of the Special Assembly in November, 1932. The attack on Shanhaikwan coincided with the meetings of the committee of conciliation early in January. The new advance into Jehol coincides with the acceptance of the report of the committee by the Assembly. The capture of Chaoyang followed immediately after the vote of censure at Geneva. These recent Japanese movements have to be studied in the light of the Japanese conquest of Korea after the Russo-Japanese War, the presentation of the Twenty-One Demands in 1915 and the Siberian expedition four years later. The Japanese method has been traditionally provocative. If the purpose of the Japanese military in recent months has been to impress the League of Nations with its military prowess, the effect at Geneva appears to have been quite different. The self-esteem of the League of Nations has been touched. The impression is difficult to resist that Japan has become defiant and, furthermore, that she has not acted in even that degree of good faith which is characteristic of the negotiations of civilized States. Japan sought to present an accomplished fact. She has thus abandoned diplomacy, first for deceit and then for defiance.

Japan has not yet withdrawn from the League; she has merely withdrawn her representatives from the Special Assembly. She has, however, intimated that she will not be represented at the next meeting of the Council, where, normally, the presidency would fall to the Japanese representative by rotation. The Japanese Government, still torn by dissension, has officially announced no decision on withdrawal from the League. An official statement on the day of the passage of the Assembly resolution, however, broadly hinted that Japan, having failed to find a satisfactory basis for cooperation with the League on affairs in China, will attempt to reach a settlement independently:

"The Japanese Government now find themselves compelled to conclude that Japan and the other members of the League entertain different views on the manner to achieve peace in the Far East, and the Japanese Government are obliged to feel that they now have reached the limit of their endeavors to cooperate with the League of Nations in regard to the Sino-Japanese differences."

In short, Japan has lost heavily thus far in this newest phase of the Manchurian affair. How different it was nineteen years ago when, as Japan took up her position to expel Russia from these same regions, she had not only the aid of an alliance with Great Britain but also the blessing of the United States—and generous credits both in London and in New York!

Without having made positive contributions to the Sino-Japanese controversy in the last sixteen months, the Soviet Government has been constantly recognized as a potential factor of great importance. The result has been greatly to enhance the position of Russia in world affairs, while the Soviet policy, by its restraint,

poise and prudence, has won for itself a degree of respect not previously given to Russia. Indeed, it is hardly too much to say that the Manchurian affair has made the Soviet Government respectable. If Japan were to persist in its tentative policy to withdraw from the League, thus forfeiting its seat as a permanent member of the Council, it is not beyond the bounds of possibility that some day Japan would return to Geneva only to find a Soviet representative in her old seat.

The Soviet Government, had it been so disposed, could have made a great deal of trouble in Manchuria. On the contrary, Soviet policy has been pacific, judicial and purely defensive. To Japan considerable concessions have been made, such as the privilege of transporting troops over the Chinese Eastern, acquiescence in the replacement of Chinese by Manchukuo railway officials, the withdrawal of Soviet trade officials from Harbin, the recognition of Manchukuo consuls and toleration of Japanese occupation not only of Harbin but of large areas of Northern Manchuria which, for twenty-one years, Japan had consistently recognized as a Russian sphere of influence. Last Summer Moscow reached a *modus vivendi* with Tokyo on the old controversy as to the payment for fisheries rights. While during the earlier months of the Manchurian affair the Soviet Union began massing troops in Eastern Siberia, and its relations with Japan were threatening, in December, 1931, it offered Japan a non-aggression pact. The danger of war quickly passed, and although Japan repeatedly rejected the proposed treaty, on June 2, 1932, Premier Saito declared that the Soviet attitude in Manchuria had been "perfectly correct."

More recently there has been a slight change in the situation. The Soviet Government did not cooperate with the Lytton Commission, on which it was not represented, but the latter almost went out of its way to repeat that in any final solution of the Manchurian affair the Soviet Government will have to be represented. At Geneva Maxim Litvinov, Soviet Commissar of Foreign Affairs, has been listened to with ever-increasing respect. The Soviets resumed diplomatic relations with China on Dec. 12, 1932. The significance appears to be not that China has swung further to the left, not that Moscow has been intriguing at Nanking, but that the hostile attitude of Sir John Simon and of the Canadian representative toward China at Geneva, in December, drove the latter, as so often in the past, into the arms of Russia. Moscow made the approach easier by adopting toward China a favorable attitude at the time when General Su Ping-wen and his troops sought a refuge across the border after their defeat by the Japanese at Manchuli. The relations of Moscow with the anti-Communist government of General Chiang at Nanking are not very stable. The Russo-Japanese dispute over Outer Mongolia is only in abeyance. But Moscow is apparently drawing closer each month to the League of Nations and may be counted upon no longer as a liability but rather as an asset of some value for the restoration of peace in Asia.

Thus far, while in the East it cannot be demonstrated that either China or Japan has as yet reaped anything but loss from the conflict, in the West quite the contrary has happened. As with Russia, so with the League, there has been a distinct enhancement of prestige. Never before have the League members been so much of one mind upon any important issue as they appear to be today. From the beginning it was recognized that the appeal of China must either make or break the League. The action of the Assembly in approving the Lytton report and the recommendations of the Committee of Nineteen has revealed at Geneva a vitality which the League certainly did not possess seventeen months ago, and for the development

of which it has to thank Japan for providing the occasion. The smaller powers, aided by the American Government, have saved the League—notably Czechoslovakia (under the leadership of Edward Benes), Norway, Sweden, Ireland, Spain and Greece (whose representative, Nicholas Politis, demolished the "self-defense" excuse). On the whole, it is clear that the only real loss of prestige in the West has been suffered by some of the great powers, notably Great Britain and France. Even last-minute repentance has not been enough to restore Sir John Simon to the place of leadership which might have belonged to Great Britain. China is not likely to forget how little sympathy she has had from the British official representative. If Great Britain had continued her initial policy, it is possible that the British merchants in China would eventually have found themselves facing another boycott, a prospect which may have had some influence on Sir John Simon. If, in the last year and a half, Great Britain has at Geneva in the Manchurian affair been playing for the balance of power, as in the Salisbury days, the venture has been rather costly. As for the notable change of sentiment among the great powers, no doubt the German situation has been in considerable measure responsible. The powers at Geneva are really rehearsing for another and far more serious affair which they envisage as quite possible at any time within the boundaries of Europe itself.

The situation of the American Government at the close of this phase of the Manchurian affair is as follows:

1. The characteristically American doctrine of non-recognition, first put forward many years ago in South American affairs, and twice before employed in the Far East, has been incorporated definitely into the program of the League of Nations. Stated by Secretary Stimson on Jan. 7, 1932, it was approved in principle by the Assembly on March 11, and became an assumption of the Lytton report. It was hotly debated again in the Assembly in December, in the Committee of Nineteen in January, and became the cardinal point which led Japan to reject the committee's recommendations. Admitting that the non-recognition doctrine is purely negative in character, it should be realized that, on the other hand, it has served the important purpose of holding open for constructive settlement a question which otherwise might have been long ago settled prejudicially to the League, to the so-called "peace machinery" and, perhaps, to American interests in the Far East.

2. Although at a disadvantage, in comparison with the League, in the legal resources at its command at the outset of the controversy, the United States not only took the initiative but also a more effective course than did the League to oppose the Japanese program. The American Government based its protests upon the Kellogg pact, which, as already noted, has proved to be a far less substantial document than Articles X, XII and XV of the Covenant of the League. The Nine-Power Treaty, while often referred to, has not been directly used by the United States as the basis for calling a conference of the powers chiefly interested in the Pacific. Such a conference would, in the circumstances, have been futile, and a conference of the signatories of the Four-Power Treaty of 1922 would have been even more so. The American Government, therefore, had very little to work with, unless it were to take the initiative in direct coercive measures. This latter possibility was unmistakably rejected by public opinion.

3. The increasing degree of cooperation with the League, characteristic of the entire policy of the Hoover administration and not limited to Far Eastern matters, has had the effect of drawing the United States more and more deeply into the Manchurian matter. So far has this cooperation now gone that the Ameri-

ın Government cannot now withraw without great loss of moral restige. The Roosevelt administraon will be impelled to go on.

4. Further evidence of the material iterest which the American Govern.ent already feels in the Far East the concentration of the fleet for ıe past fifteen months in the Pafic. This display of naval strength, ıgether with the frequent reiteration ' the non-recognition doctrine, has ready placed considerable strain ɔon Japanese-American relations.

5. On the other hand, there is enty of evidence that American pub: opinion, as much now as in 1922 hen the principles of naval limitaon and non-fortification were writ:n into the naval treaty, is not preɪred to support an interventionist ɔlicy. The willingness of Congress, ; the very moment when the govern ent is pursuing a strong policy in ıe East, to pass a law, over the veto, ı withdraw from the Philippines, is significant straw in the wind. The ore recent action of the Foreign Afıirs Committee in striking out from ıe embargo resolution the authorizaon for the President, in cooperation ith the powers, to place an embargo ɔon the export of arms to belligerıts in the Far East, is another straw. uite certainly, at the present juncıre, American policy in the Far East traveling not so much with as in lvance of public opinion. At the oment, the American people are well ıtisfied with the non-recognition ɔlicy but further than that they are ɔt likely to go—at least not more kely than they were in 1914 to deɪrt from a policy of neutrality in the 'orld War.

There remains to be considered the present political position of China and Japan.

The League has chosen to take the optimistic view of China. The alternative was to become spectators to its partition, for forty years a dreaded spectre in the councils of State. There were the inevitable two choices—a weak China or a strong China. There is no choice between a China strong toward Japan and weak toward the other foreign powers in China, and the reverse. If the League of Nations is committed to work for a strong China, the members must be prepared to accept the consequences—a China strong enough not only to reclaim its sovereign rights from Japan but also from the other powers.

As for Japan, the League evidently intends to gamble on the probability of an economic and political collapse of the present government. Of this there are few immediate signs but that it is eventually inevitable seems certain. The more moderate the League policy from now onward, the sooner the break will come; the more imperative the League policy, the more probable that the Japanese people, feeling themselves beset on all sides, will rally to the old shibboleths.

The strength of the Japanese position, weak as it is in both ethics and law, remains what it has been for more than a year. Japan has offered a constructive solution for Manchuria. It was positive, definite, objective. The League has rejected it as likely in the long run to provoke not only further conflict in the Far East but also to establish precedents which would destroy the League in Europe. The League, rejecting Japan's plea of self-defense, has struck in defense of itself.

The Great Inflation Fallacy

By D. W. ELLSWORTH

[In the March issue of CURRENT HISTORY there appeared a strong plea by Ralph W. Page for inflation. The following article by the assistant editor of *The Annalist* presents an opposing view of this much-debated question. Although it was written before the nationwide bank holiday was proclaimed, it is of value as an account of certain recent financial developments in the United States.]

ON the front page of *The New York Times* of March 1, 1933, there appeared the following headline: "Smith Opposes Inflation; Asks Bond Issue for Jobs." The Smith, of course, was Alfred E., testifying before the Senate Committee on Economics. But to the popular fallacy expressed in that headline it is safe to say that 90 per cent of all the Smiths and all the Joneses in the United States would readily subscribe. But suppose the headline read thus: "Smith Proposes Inflation; Against Bond Issue for Jobs." Ninety per cent of all the other Smiths and all the other Joneses would be horrified. They would immediately suspect Alfred E. of having been temporarily unbalanced, of having been under too great a strain. And yet, of the two headlines, the one is actually as sensible as the other. So far as inflation is concerned, it makes little difference whether we reduce the gold content of the dollar or issue more government bonds.

On the whole, there are many good reasons for believing that, if we must have inflation, the better method would be to reduce the gold content of the dollar. It would be simpler. It would be perfectly obvious to the public what was being done. Cutting the gold content of the dollar could scarcely masquerade under some high-sounding financial phrase such as would inevitably be employed by some other method, such as issuing additional quantities of government securities. Issuing new huge bond issues can be inflation of the rankest sort. That is why it is absurd for Smith or Jones or anybody else to oppose inflation and in the same breath advocate a bond issue—for jobs, to make good the Treasury deficit, or for any other purpose.

We have talked about inflation as if it were something new and untried—something which at least ought to be tried, at any rate, as a last resort. But, as a matter of fact, the easy-money policy of the Federal Reserve Banks, a policy which began in 1924, has constituted an inflationary experiment transcending in importance anything that had been tried in any other country at any other time, with the possible exception of the great European inflations which followed the close of the World War.

Despite all the agitation during the past years, the Hoover administration avoided any outright currency inflation, but the fact that there had been no such attempt in regard to the ordinary medium of exchange which we call money or currency (Federal Reserve notes, national bank notes, quarters, dimes, nickels, and so on) was irrelevant, because ordinary "money" constitutes but a comparatively small portion of our total media of exchange. On June 30, 1930, for example, before the beginning of the recent hoarding movement, the total amount of money in circulation (that is, outside the Federal Reserve Banks and the Treasury) was only $4,522,000,000, as compared with total demand deposits of the member banks alone of about $18,000,000,000.

It is these demand deposits of the

banks which in this country constitute the principal medium of exchange, and it was this deposit currency that was subjected to a gigantic inflationary experiment under the guise of the easy-money policy of the Federal Reserve Banks. A similar experiment, if attempted with respect to the circulating medium which we ordinarily call money, would have received widespread condemnation as "tampering with the currency." But because few people understood the mechanism through which the attempt was made to inflate our deposit currency, the public failed to perceive either that the attempt was made or that it lay at the root of our financial difficulties.

What most people do not realize is that when the Federal Reserve Banks buy government securities in the open market for the purpose of easing credit conditions they create bank credit out of nothing. The government securities thus purchased become an asset of the Federal Reserve Banks, and from a bookkeeping standpoint there must, of course, be a corresponding entry on the liability side of the balance sheet. To short-circuit a number of transactions which may intervene, if the commercial bank from which the Federal Reserve Bank made the purchase so elects, it may take the proceeds of the sale in the form of Federal Reserve notes, and on the balance sheet of the Federal Reserve Bank the item appears as a liability under the head of Federal Reserve notes in actual circulation. If, however, the commercial bank wishes to build up its reserve balance with the Reserve Bank, the entry on the Reserve Bank balance sheet appears under the heading of deposits, also on the liability side.

It was this latter situation which the Federal Reserve authorities attempted to bring about when they adopted their easy-money policy. To see what actually happened, let us examine a simplified balance sheet of the twelve Federal Reserve Banks combined on two significant dates—June 30, 1930, and Dec. 31, 1932—as shown by the accompanying table.

FEDERAL RESERVE BANKS

(Millions of dollars)

Assets	Dec. 31, 1932.	June 30, 1930.	Net Ch'ge
Total reserves	3,457	3,174	+ 283
Bills discounted	274	272	+ 2
Bills bought	31	128	− 97
Gov't securities	1,763	591	+1,172
Other resources	508	685	− 177
Total	6,033	4,850	+1,183
Liabilities			
Fed. reserve notes	2,725	1,424	+1,301
Deposits	*2,554*	*2,455*	*+ 99*
Other liabilities	754	971	− 217
Total	6,033	4,850	+1,183

From this simple statement of actual conditions it is readily apparent that things did not work out as anticipated. The net result of the increase of slightly more than $1,000,000,000 in the Reserve Banks' holdings of government securities was an increase of slightly more than $1,000,000,000 in Federal Reserve notes in circulation, representing, in the main, currency hoarded. Instead of pumping credit into the banking system, the Reserve Banks merely pumped currency into the hands of the public.

There probably would have been no question regarding the security behind the liabilities of the Federal Reserve Banks if the Federal budget had been kept in balance. But 1930 was the last fiscal year in which government revenues exceeded expenses. From that time, therefore, there was a progressive deterioration of the quality of banking credit in the United States, because, for the most part, the entire banking structure is dependent upon the assets of the Federal Reserve Banks. Bank deposits having, in the eyes of the public, become of inferior quality, they were converted into cash and the cash was put into safe-deposit vaults. In addition, of course, the commercial banks of the country were called upon to buy $2,500,000,000 worth of government securities to finance the Treasury deficit, thus adding to the amount by which the entire

banking structure became dependent upon the credit of the United States Government.

In view of these facts, it is idle to rehearse the familiar arguments against inflation. To say that we must have inflation as a last resort is just as sensible as telling a small boy that if he will only eat a few more green apples his pains will disappear.

All these fallacious arguments are, of course, based on the idea that prices must somehow be raised. The idea that prices must be raised is, in turn, based on two underlying assumptions: (1) That a higher general price level—cheaper dollars—will enable debtors to liquidate their indebtedness; (2) that rising prices stimulate business activity.

The first of these two assumptions is as unfounded as is the second. The present burden of indebtedness bears most heavily on the farmer and the owner of city real estate. If the price of farm products were suddenly to be doubled, so theoretically would the price of the things the farmer buys. Under present conditions, large surpluses of farm products exist, but stocks of most industrial commodities have been liquidated. It is, therefore, extremely doubtful whether farm prices could by any known inflationary device be raised by an amount sufficient to offset the increase which might be brought about in the prices of the manufactured goods which are consumed on the farm. As for the owner of city real estate, any benefit from a rise in prices would be speculative, since it would be impossible to raise rents promptly enough to increase operating profits to any great extent. Any speculative rise in real estate prices would be liable to sudden collapse, after which the situation would be worse than before, or at least no better.

That rising prices tend to increase general business activity is a popular assumption because over considerable periods of time when business activity is rising commodity prices are also on the up-grade. It is not true, however, that in the beginning it is a rise in commodity prices that normally sets in motion a rise in business activity. The reverse is usually the case. In the depression of 1921 business activity began to rise in April, but commodity prices did not hit bottom until the following January. The record of many previous business cycles shows that the normal sequence of recovery from depression is first a revival in activity and second an upturn in prices. It is the extreme low level to which prices fall in a period of depression which normally stimulates a rise in business activity. One of the most spectacular buying waves in cotton textiles ever recorded began in the Spring of 1932, when cotton-cloth prices were at the lowest level in the history of the country.

Every great war over the entire span of years for which accurate statistical data are available has been followed, first, by a sharp but comparatively brief fall in commodity prices and, second, after several years of trade recovery, by a drastic and prolonged decline in prices. All previous secondary post-war depressions have given rise to agitation for various forms of inflationary measures, but it is a matter of record that recovery has never been accomplished until these proposals were defeated and a sound currency assured.

The proposals which have been advanced since the beginning of the present secondary post-war depression have differed from earlier proposals mainly in their subtlety. The availability of accurate and scientifically constructed price-index numbers has led to such proposals as that advanced by Professor Irving Fisher whereby the gold content of the dollar would in effect be changed from time to time in inverse ratio to the all-commodity price index.

Even more subtle was the proposal actually adopted for the regulation of the quantity of our bank-deposit currency through the open market opera-

tions of the Federal Reserve Banks. This proposal masqueraded under several seductive names. One was "managed credit"; another, "reflation."

In the failure of this "reflationary" scheme to "defeat" the depression we have an excellent example of the basic weakness in all inflationary schemes. At first the Federal Reserve Banks began buying government securities in moderate quantities. When this failed to bring about the desired results the cry immediately arose from the proponents of the plan that the policy was not being pursued vigorously enough. So, in April, 1932, the Federal Reserve Banks began buying government bonds at the rate of $100,000,000 a week. Even this was not sufficient to satisfy the demands of the "reflationists," who still insisted that if the Reserve Banks would only buy still more and more government bonds, all would be well.

How much is enough? That is the question which the inflationists have never been able to answer and never will be. Once started on its insane course, inflation becomes a wild monster, powerful enough to wreck the best monetary system ever devised by man, driving all kinds of business enterprise to destruction and business men to despair.

Currency hoarding began in this country in November, 1930, when a few far-sighted individuals realized what would happen to their wealth if the "reflationary" policy of the Federal Reserve Banks was followed to its logical conclusion. It was not until comparatively recently that the general public took widespread alarm. But even so, the timing of that fear shows conclusively that it was the fear of inflation that led them to hoard. Although the basic cause of hoarding is to be found in the easy-money policy of the Federal Reserve Banks, the public manifestation of it broke out at exactly the time when Congress began to talk openly about inflation.

While the example set by Michigan—and in a smaller and less conspicuous way by other political subdivisions earlier—was popularly held responsible for the spread of bank moratoria, the difficulties that arose were basically the logical result of a mistaken banking policy for which the great majority of individual bankers were in no way responsible. The crisis had its roots in the inflationary policy of the Federal Reserve Banks which brought about a progressive disintegration in the nation's banking structure.

British Labor's New Program

By H. B. Lees-Smith

[Mr. Lees-Smith was a member of the second British Labor Cabinet, first as Postmaster General and then as Minister of Education, and also one of the British Government delegates at the second Indian Round-Table Conference. Outside politics he has long been a member of the faculty of the University of London.]

What are the prospects of the British Labor party? Does the downfall of its second government in 1931 and the shattering defeat it suffered at the subsequent general election mean that it has been wiped out as a serious political force? Now that eighteen months have elapsed it is possible to reply to these questions.

Even in its hour of defeat, it is now evident that the foundations of the Labor party were surprisingly little shaken, that its basic strength remains unimpaired and that it is being judged once more by its permanent aims. Although by-elections have not been numerous enough to give a reliable indication of the trend since the general election, Labor has succeeded in winning back the seats it lost at that time whenever they have become vacant. On the other hand, the vote obtained by the supporters of the National government who have retained their seats in by-elections has fallen 40 per cent.

Even more important, the party organization has remained intact. Though the public may not be aware of the extent to which the existence of a party depends on preventing disruption of its organization, working politicians are under no illusions on this subject. World-famous leaders may leave their parties but they only damage them permanently if they split the organization. For the Labor party the greatest peril was in the weeks immediately after it was abandoned by Mr. MacDonald, Mr. (now Lord) Snowden and Mr. Thomas. If they had succeeded in splitting Labor in two, it is unlikely that so young a party would have recovered from the blow. The final result, however, was that they did not carry with them a single Labor organization in any constituency throughout Great Britain. Such an example of solidarity is without parallel in recent British political history.

This, more than anything else, has secured for Labor the position of the responsible official opposition in Parliament and the only party which can be seriously regarded as an alternative to the present government whenever public opinion makes its next swing. When will that be? It will depend upon whether or not there is a trade revival. Unemployment brings down every British government in the end. The stock of the National government stands far higher abroad than in Great Britain itself. The outside world measures it by such achievements as its successful conversion loan, but these successes in the technical and administrative spheres do not win votes at an election. The people do not take much interest in politics between one general election and another, but when the campaign opens they ask the government one question only, "Are the number of the unemployed greater or less than when you took office?" The fate of the National government will therefore depend on whether it stems the tide of unemployment within the next three years. The Conservative party has for years preached that protection is the recipe for a revival of trade, and it will now be judged by its promises. At the present moment the number of

unemployed is more than 250,000 higher than when the National government was formed, and the latest figures published at the beginning of February reach the highest number on record. If this is not reversed the National government must expect to be swept away by another such blizzard as the Labor government met in 1931.

In these circumstances the leaders of British Labor are concentrating their attention on revising their program. The annual conference of the Labor party met at Leicester in October, and its decisions have been described as a swing to the Left, but it was also a swing to the concrete, practical and realistic. The central weakness of the last Labor government was timidity in action. The party was a propagandist party which had not made the necessary descent from romance to reality. This weakness will not be repeated. British Labor leaders have spent the last eighteen months in working out in full detail their plans to transfer to public ownership those basic industries which occupy the commanding heights of capitalist society as it is today. These plans received endorsement from the Leicester conference.

The industries that have been selected are banking and investment, electricity, railways and motor transportation, iron and steel, coal and a section of agriculture. Elaborate reports are being prepared covering each of these industries with practically all the details required for embodiment in legislation, and most of them have now been issued to the public. Their reception has shown that they will receive the support of a great section of the public outside the ranks of Labor and of a large proportion of the younger technical experts within each of the industries concerned. The industries selected are chiefly those which are passing out of the competitive stage, so that the choice within them is now between capitalistic monopoly and public ownership.

The last Labor government was destroyed by the "City," which corresponds to the term "Wall Street" in America. The first feature of Labor's new program is, therefore, a series of measures to make the State supreme in the realm of banking and investment. It has accepted the proposals for a "managed currency" which have come from Sir Arthur Salter, Reginald McKenna, J. M. Keynes, Professor Cassel, the Swedish expert, and the majority of the younger British economists. But the control of prices requires control of both banking and of long-term investment. The Bank of England is accordingly to be transferred to the government and managed by a board representing not merely City finance as at present, but industry and trade as well. The control of the Bank of England would carry with it the control of short-term credit, but as long-term investment is in the hands of the issuing houses and the stock exchanges, Labor proposes to create a national investment board, without whose license no fresh public issue of capital could be made or "leave to deal" be given on the stock exchange. The public ownership of the Bank of England is supported by a great number of business leaders, while a national investment board was suggested in the Macmillan report of 1931. On the question of nationalizing the joint-stock banks, which would create far more resistance, Labor is at present divided.

The next public utility on which Labor has fastened its attention is electricity. Great Britain has for many years lagged far behind in the use of electricity, and its per capita consumption has been barely one-fifth of that of the United States. The reason is that the production in Great Britain was split up between more than 600 different companies and producers, and this multiplicity of small units made it impossible to equalize the load factor or secure economies in overhead charges. For many years the government tried to

persuade the power companies to overcome this weakness by agreements among themselves, but when this proved impossible the Conservative party passed the Electrical Supply acts of 1919 and 1926. By this legislation 119 selected stations have been chosen at which the generation of electricity is to be concentrated, while sixteen new stations have been built. These stations, while still left in private hands, are compelled to confine themselves to producing electricity under a scheme imposed upon them by the board, and to sell it to the board at a fixed price, yielding 6½ per cent interest on the capital invested. Distribution throughout the country is by means of the "national gridiron," the pylons of which now strike visitors to England as a new feature of the landscape. One result has been to reduce the price of electricity by one-half, while consumption has increased. Reports for 1931 show that, whereas the United States, Germany, France, Canâda, Holland, Switzerland and Italy have shown declines in the production of electricity ranging between 4 and 12 per cent, Great Britain has shown an increase of slightly over 4 per cent and has made comparatively greater progress than any other important country in the world.

Labor accepts the present electricity scheme but points out that the scheme is confined to production, while distribution remains split up between more than 600 different undertakings with all the wastefulness from which production has been released. It is therefore proposed to extend the control of the Central Electricity Board over the entire field of the industry. This proposal, which has the support of a great volume of expert opinion, has received striking justification from the last report of the Electricity Commissioners, issued in January, 1933, which sharply criticizes the lack of enterprise and coordination on the part of the supply undertakings and warns them that they are endangering the success of the "Grid."

We now come to Labor's policy in regard to railways and motor transportation. The railway companies have already been reduced from 120 in 1920 to four today. These have now embarked on pooling arrangements which within the next two years will finally eliminate all competition. By the railways act of 1921 dividends, freight rates and fares are controlled by public authorities, while wages, hours and conditions go before the National Wages Board. Nationalization of railways is therefore almost here. But the position has been transformed by the increase of motor transportation. This competition has been met by securing the passage of an act in 1928 to enable the railway companies to provide motor services. In the last four years they have displayed a feverish activity in buying the shares of existing motor undertakings, and in a few years they will undoubtedly be the largest operators of motor passenger traffic in the country.

Meanwhile the overlapping, the wastefulness and the public nuisance of a multiplicity of motor services conducted by private concerns, railway companies and local authorities and running without any common plan or arranged time-tables over the same routes has led to an anarchy which has been partly corrected by the passage of the road traffic act of 1930. This measure established a Traffic Commission to license motor buses and introduce some coherence into the business. The powers of the commission are at present confined to passenger traffic, but a committee, appointed under the chairmanship of Sir Arthur Salter, recommended in July, 1932, extension to goods traffic as well. Even when the government passes a bill to do this, it will not be a final solution of the question.

The Labor party proposes to meet the problem by enlarging its original proposal for the nationalization of

railways into one for the nationalization of all the transportation industries. The report of the Royal Commission on Transport in 1930 warned the railway companies that the public would bitterly resent any effort by them to stifle the road services in order to prevent competition. The best solution, the commission said, was the unification of railways, motor services, canals and even coastwise shipping, so as to give each its place in a coordinated scheme and put an end to unnecessary competition. Although the commission could not agree as to how this unification was to be achieved, it suggested that "the London passenger transport bill may prove to be an example of what can be accomplished on the far wider field of public transport of all kinds."

The one other subject in regard to which Labor has completed its plans is the nationalization of the land. This seemed at one time to be a proposal for the distant future, but it has been brought much nearer by inescapable changes. English agriculture is in the same plight as agriculture all over the world, and is being bolstered up by the usual devices of tariffs, bounties, quotas and subsidies. Apart from the world depression, English agriculture is suffering from deep-seated maladies of its own. For the last hundred years the method has been for the landlord to provide the capital represented in the land and buildings and for the farmer to provide the much smaller amount of working capital. But the landed gentry in England is now an almost extinct species and only the State has enough capital to take its place. The State ownership of land is, therefore, the next stage in agricultural development, and the Labor proposals for bringing this about are not markedly different from those put forward by Mr. Lloyd George and the Liberals in *The Land and the Nation* in 1925.

The nationalization of the coal mines was the leading item of the Labor program during the years immediately after the war. But when the Labor government was formed in 1929 it was without a majority in Parliament and, therefore, without the power to carry out its program. Nevertheless, it found a most awkward legacy awaiting it. The coal mines act of 1926 had ruled that the hours of labor in mines were to be reduced from 8 to 7 in 1931. Labor could not refuse to give effect to this policy. Yet such a reduction of hours was certain to lead to a demand from the employers for a reduction in wages, which would equally certainly lead to a national strike. The Labor government persuaded the coal miners to accept a 7½-hour day and then induced the owners to agree to this without cutting wages by putting into the coal mines act, which was passed in 1930, provisions which created what is practically a cartel to raise the price of coal. Although the act was intended to give the coal owners breathing space, during which they could rationalize the industry, nothing has been done, and a cartel to control prices unaccompanied by the reorganization needed to reduce costs is a source of public peril. Labor, therefore, is now reverting to its original proposal for the rationalization of the industry under public ownership.

In iron and steel production the abandonment of competition is now the accepted policy of all parties. The leaders of the industry admit that a large part of its plant, particularly its blast furnaces, is out of date and that it would be necessary to spend as much as $100,000,000 to re-equip it. But this calls for the rationalization of the industry, which would bring it under single executive control, so that second-rate plants could be systematically closed down and output concentrated in the most modern plants in the most economic areas. The last Labor government had before it proposals to divide the industry into four groups which would secure unified production within each of them before agree-

ments were made covering the whole country. The industry was willing to accept this scheme, provided it were granted a tariff. This the Labor government refused, but the National government had no such scruples and the Tariff Advisory Committee has given the industry a tariff of 33 1-3 per cent. The tariff, however, is only temporary, being granted on condition that the scheme of rationalization, which was before the Labor government, is carried out. Now that the industry has got its tariff, rationalization hangs fire. The Tariff Advisory Committee reported in October, 1932, that "the position has to be faced that the scheme of reorganization is not ready." Labor does not believe that a scheme will ever emerge, and even if it does it will merely create a capitalistic monopoly. It is, therefore, drawing up plans for the complete unification of the industry under public ownership.

The terms "public ownership" or "nationalization," it should be pointed out, have changed their meaning in England within the last few years. Until recently nationalization has meant the control of industry by government departments working along ordinary civil service lines and subject to political influence. But Labor now believes that this is not the proper method of controlling a business undertaking and has substituted a system of control by public corporations, a type of nationalization which meets the objections of most Liberals and many Conservatives. Under this plan an industry is controlled by a small board of carefully selected persons who act as trustees for the nation and who conduct the day-to-day affairs of the industry with as much freedom as an ordinary board of directors. They are subject to the decisions of Parliament only when great issues of policy are raised. This combination of socialism and business management which all three political parties have helped to develop has proved itself an undisputed success.

The British Broadcasting Corporation, known to every householder in England as the B. B. C., is a good example of the new system. It consists of seven persons of public reputation, who are paid substantial salaries. They have a monopoly of broadcasting throughout the country and manage the undertaking as the nation's trustees. All the ordinary administration is in their hands. The Postmaster General stands behind them with wide and general powers of supervision and control, but he does not intervene unless important national interests are involved. Even though criticism has been directed against the way in which the B. B. C. performs its task of holding the balance between conflicting political opinions, there is no demand to take the service out of its present hands. It is generally agreed that broadcasting is one of the healthiest influences in British national life, whereas if it had been left to profit-makers it would have been degraded to the level of the motion pictures and the less reputable newspapers.

The production of electricity is also, as already explained, controlled in much the same way. Here the authorities are two bodies, the Electricity Commissioners and the Electricity Board. The Electricity Commission consists of five members appointed by the Board of Trade, while the Central Electricity Board consists of eight members appointed by the Minister of Transport. The chairmanship in both is a full-time job, analogous to that of the president or managing director of a company, while the other members of the board are paid on a part-time basis. Both these boards have from the first commanded what is essential to their success—the confidence of the electrical industry and of the public.

The earliest experiment in this kind of government control was the Port of London Authority, established by Mr. Lloyd George in 1908. The port was at that time in the hands of a number of competing dock companies

and its trade was on the decline. The only chance of maintaining its position was to spend something like $100,000,000 on deepening the channel of the Thames and dredging the river. But the competition among the dock companies was so fierce that the whole industry was unprofitable, and there was no margin of capital for improvements or extensions. Mr. Lloyd George bought the assets of the dock companies outright for $115,000,000 and transferred them to the new Port of London Authority, to be administered by it as a public service. The method of appointing the members of the authority was deliberately based upon the doctrine that the divergent interests should be represented—the payers of dues, the wharfingers, the owners of river craft, the employes and so on. This constitution was purposely intended to prevent undue preference, logrolling or corruption creeping in on behalf of any one group of interests.

The difference between this method of appointing the controlling body and that adopted for broadcasting and electricity has opened up one of the most intense discussions in the British Labor movement. Should the persons who control a public undertaking be representatives of the different interests involved, particularly those of the workers in the industry, or independent nominees who will act as national trustees? Labor for several years answered that it should represent mainly the workers in the industry. Guild socialism, as preached by G. D. H. Cole, dominated the minds of intellectuals during the years after the war, and the slogan of "worker's control" captured the whole movement.

But these vague visions vanished at their first contact with concrete legislative proposals. The only measure of real public ownership introduced by the last Labor government was the London passenger transport bill, which proposes to purchase all the London traffic undertakings—the underground railways, the streetcar services and the omnibuses—and transfer them to the control of a public board consisting of five members appointed by the Minister of Transport. The question immediately arose as to whether "worker's control" would be recognized. The Labor Cabinet emphatically rejected the idea and, on the ground that socialism cannot afford to be inefficient, the bill provided that the Minister should select the most competent and experienced persons available and disregard special interests of every kind. The Cabinet did not expect the trade unions to accept this decision, but the surprising fact is that the railway unions are in favor of it, because they realize that a minority of one or two Labor representatives on the board would have no real power, that their allegiance would be divided between the board and its employes, and that they would be continually suspected by their own followers of having acquired the employers' point of view.

These examples show the type of socialism that British Labor now advocates. It is in line with most British economic thinking today. A good illustration of this is the changed attitude of the Conservatives to the Labor party's London passenger transport bill. The Labor Minister, who introduced this bill in 1931, described it as "the greatest Socialist transport scheme which has ever been before the country." The rejection of the bill was moved on behalf of the Conservative party by Sir Philip Cunliffe-Lister, now a member of the National government, who described it as "nationalization of a peculiarly irresponsible kind." The Labor government went out of office before the bill was passed and now, after twelve months' reflection, the National government has revived the bill with one or two modifications, and selected Sir Philip Cunliffe-Lister to persuade the Conservative party to bring about its enactment.

A great change has come over British public opinion in the last five years. Belief in the competitive system has silently disintegrated everywhere and "rationalization" has taken its place as the creed of the leaders of industry. The late Lord Melchett (better known as Sir Alfred Mond) was more responsible than any other business leader for this change of attitude. He first set the fashion of proclaiming that the efficient and economical conduct of an industry requires that all competition within it shall be eliminated so that it can be controlled as a whole by one central executive, with operations concentrated in the plants best adapted for the purpose. This doctrine has been accepted by moderate Conservative opinion and even by the London *Times*.

But rationalization makes socialism inevitable. The British public, when faced with the choice between capitalistic monopoly and public ownership, will certainly prefer the latter and all governments will help the process forward. England, within the next two generations, will thus evolve into a socialistic State, by a series of measures carried through by Conservative as well as Labor governments, blessed by the Bishops and ratified by the King, with little apparent change to the outside world.

But behind these issues another deep cleavage is in process of formation. Internationalism rather than socialism is the vital problem for the next generation in Europe. Three-quarters of the unemployment in Britain is due to world forces which one nation alone cannot control. One-quarter is due to the decline in Great Britain's foreign trade and one-half to the world slump of the last two and a half years, which most of the British economists ascribe mainly to the unparalleled fall during this period in world wholesale prices. They have worked out a program for the international control of currency, the lowering of world tariffs and the supervision of such matters as government debts, private investments, forced and sweated labor and migration. The battle along this front will be fought for years to come in international conferences, congresses and committees.

It is in this sphere that the National government has been undoubtedly inactive. Foreign observers naturally think that because Mr. Ramsay MacDonald, with his great international fame, is Prime Minister, the policy of the government follows his past reputation. But the general election left him with only thirteen of his own supporters behind him in the House of Commons and with 471 Conservatives, and the Conservative party has always been strongly nationalist. This is reflected in the passivity of Sir John Simon at Geneva, in the secondary rôle that Great Britain has played in the Disarmament Conference, in the Ottawa agreements, which narrow instead of extending the area of Great Britain's international trade, and in the timidity of the government toward proposals for international monetary control. Unless the trade stagnation ends within the next twelve months the mind of the British public will undoubtedly turn to these international issues and Labor will stand out as its spokesman. This will bring it great multitudes of new adherents from far outside the working class, for there has always been a strong strain of humanitarianism in the middle class and the young men and women of the post-war generation are openly contemptuous of the conventional patriotism of their fathers.

Cuba Under President Machado

By RUSSELL PORTER

[As a member of the news staff of *The New York Times*, Mr. Porter recently made an investigation of conditions in Cuba. His observations and conclusions are set forth in the following article.]

WHEN President Gerardo Machado y Morales, virtual dictator of Cuba, and his well-drilled, well-equipped army of 12,000 men—one of the best military forces in Latin America—put down the revolution led by former President Menocal in August, 1931, force triumphed for the moment, but it failed to end the opposition to the Machado régime. Since that time, political, economic and social conditions in Cuba have gone steadily from bad to worse. The beginning of 1933 found an impasse in the tragic struggle of the Cuban people against President Machado and his military and political supporters.

With the army and the police at his back and with the legislative and judicial bodies and all existing political parties under his thumb, President Machado has been able with the assistance of martial law and the suspension of constitutional guarantees to suppress criticism of the government in the press, in opposition political parties and in public meetings. He has imprisoned, exiled, deported or killed his political enemies, but he has been unable to exterminate the opposition; he has only driven it underground. The more ruthless his repressive measures, the more widespread has become this secret opposition.

When, as in Cuba, a people is unable to seek a change in government through the exercise of free speech, free press, free assembly and free elections, some form of protest is inevitable. In Cuba it came last year in the form of terrorism. As practiced by both sides, by the Machado secret police and by the ABC secret society, the underground war of terror which developed during 1932 is the chief contribution of the Machado government to the history of the Cuban Republic. Every other factor in the present political situation finds its counterpart in the record of previous administrations; most of these elements are deeply rooted in evil political traditions which Cuba inherited from four centuries of Spanish colonial rule and which three decades of a democratic form of government have not served to overcome. Revolutions are an old story in Cuba. Charges of corruption or oppression have been made against every Cuban President; constitutional guarantees have been suspended frequently. Two Presidents before Machado were confronted with revolutions arising from charges that they had re-elected themselves by means of unfair control of the electoral machinery; while at least one previous President established a virtual dictatorship in his second term.

Official assassinations, imprisonment without trial, and exile of political prisoners were not unknown in Cuba under previous administrations, but they were comparatively few in number, and the assassinations were isolated cases. Under the Machado régime, however, assassination has risen to the dignity of a political art. Official killings began in 1925, not long after President Machado was inaugurated for his first term. Politicians, labor leaders and editors opposed to the government were mysteriously killed—the murderers went unpunished. These killings continued,

on a relatively small scale until, having emerged victorious from the 1931 revolution, President Machado embarked upon a policy of complete ruthlessness in an effort to wipe out all opposition to his government.

Prohibited by Presidential decree from holding open meetings, the opposition was driven to secret intrigues and conspiracies. The secret police and *porra,* or strong-arm squads, were ordered to break up these meetings and to arrest the conspirators. Homes and offices were invaded; suspects were sent to prison by military courts or held incomunicado in military fortresses without trial; and finally the bodies of political prisoners began to be found in the streets, shot to death after being beaten and tortured. The killings were justified by the government under the old Spanish *ley de fuga* (law of flight), which permitted a police officer to kill an offender who resisted arrest or who attempted to escape. When the writer interviewed President Machado in the Presidential Palace in Havana recently he did not attempt to deny that such killings had occurred. On the contrary, he tacitly admitted them, but condoned them on the ground that the police were justified in shooting in self-defense.

The government's explanation of the killings is generally received with reserve in Havana. Only a short time before the writer's visit, the newspaper *El País* of Havana in its issue of Dec. 31, 1932, published a photograph which showed the body of a 17-year-old student, Juan M. Gonzales Rubiera, lying in the street with his hands and feet bound, although the police had said that he had been shot "trying to escape." This clear evidence of the misuse of the *ley de fuga* created a sensation in Havana. Although the police suppressed the edition and confiscated all the papers they could find, some reached the public and were circulated from hand to hand.

It is impossible to determine with impartial exactness how many official assassinations have taken place. The government withholds official information. In some Cuban oppositionist quarters the figure is put as high as 2,400, though the more responsible opposition leaders say "hundreds." The ABC society claims to have a list of 342 of its members who have been killed. The most conservative estimate the writer was able to obtain in the best-informed American circles in Havana was that from 150 to 200 such killings had occurred since the use of the *ley de fuga* had become widespread —that is, since the 1931 revolution.

The government has contended consistently that its repressive measures have been confined to Communists or other radicals. Undoubtedly the Cuban labor movement, which constituted the chief opposition to President Machado in the early years of his administration, was under the direction of alien Communists and anarchists, but in recent years the radical element has been only a minor factor. The opposition has been led not only by professional politicians of both Conservative and Liberal factions, but also by non-political members of the professional and business classes.

Even the ABC terrorist group— since early in 1932 the spearhead of the opposition— is not to be classed as a "Red" organization, though it undoubtedly contains some Communists and other radicals in its ranks. It is organized on traditional nihilist and terrorist lines, in units or "cells" of eight members, no one of whom knows more than one member of any other cell. Its methods are terroristic, and its immediate aims may be regarded as nihilistic and anarchistic. Recently its tendency, however, has been toward the development of a positive program of reform.

The ABC has had a rapid growth. Its membership, which in January, 1933, was claimed to be from 4,500 to 5,000, has been recruited from the intellectual, professional and student classes, largely from former students

and young graduates of the University of Havana and of the high schools, which have been closed for several years because of student agitation against the government. Despite its terrorist methods, the student movement is generally regarded as motivated to a great extent by the patriotic and idealistic purpose of purifying the national life. The students are opposed not only to President Machado but to all the professional politicians of the old school, feeling that any new group of these men who assumed power in case the Machado government falls might become equally oppressive or corrupt. Yet they are unalterably determined that Machado must be removed from power.

Through the OGRR, a subsidiary group for direct action, the ABC has been responsible for the bombing of public buildings and the assassinations of government, military and police officials which have recently characterized the opposition movement. Toward the end of 1932 and early this year the killings reached a climax in spectacular affairs in which the terrorists, using machine guns and sawed-off shotguns from automobiles in American gangster fashion, assassinated two of President Machado's chief lieutenants. One was Dr. Clemente Vasquez Bello, President of the Cuban Senate and of the Liberal party, who had been suspected of intriguing for the Presidency in 1934. He had been regarded as responsible for persuading President Machado to stay in office when he seemed about to resign and permit a free election in 1932. Captain Miguel Calvo y Hererra, the other, was head of the secret police. He had a reputation for extreme brutality in third-degree examinations of political prisoners and had been held responsible for many official killings and mysterious disappearances.

The terrorists have killed in and near Havana a number of lesser officials, including a military supervisor, a chief of police, a chief of rural guards, a police captain, a police lieutenant and a secret-police officer. They have made several futile attempts on the life of President Machado, who is always heavily guarded by soldiers and police. He has rarely appeared in public in recent months and for some time has traveled in the second car of a procession of three armored automobiles.

Although all the five organized opposionist groups are united in demanding Machado's removal, otherwise they stand apart. In Cuba, carrying on active opposition, are the students, with little or no real direction, and the ABC, under the leadership of intellectuals; both groups are suspicious of the opposition political leaders. This suspicion and lack of unity may be the greatest strength or the greatest weakness of the opposition. It may mean that the young intellectuals and the students will succeed in purifying the political life of Cuba in the future; it may mean that the opposition movement will remain split and become ineffectual to achieve any real reforms. Time alone will give the answer.

The leaders of the three opposition political groups are in the United States. In Miami is former President Menocal, head of the orthodox, or non-cooperating, Conservative party, so called to distinguish it from the cooperating wing of the party, whose leaders sit in Congress under President Machado's domination. Colonel Carlos Mendieta, head of the Union Nacionalista, whom General Machado defeated for the Liberal party nomination in 1924, recently left Cuba under the protection of the Mexican Embassy, where he had taken asylum, and went to Florida. The third opposition party is the so-called Miguelista group, composed of the followers of former Mayor Miguel Mariano Gomez of Havana, who fled from the capital shortly after the 1931 revolution. President Machado characterized him as his "would-be assassin." Dr. Gomez has been carrying on his activities as

head of a revolutionary junta in New York City.

The opposition has formulated an indictment of President Machado's régime which may be summarized as follows:

1. That he has built up and is seeking to perpetuate a dictatorship through re-electing himself next year or dictating the election of his successor.

2. That he has instituted a reign of terror through the *ley de fuga*, imprisonments without trial, holding political prisoners incomunicado, exiles and deportations.

3. That he has made free elections impossible by fixing permanent control of all existing political parties in his own hands, by forbidding the organization of new parties or the running of independent candidates, and by using his army and police to manipulate elections.

4. That he has prevented open opposition by prohibiting free speech, free press and free assembly, and by closing and failing to reopen the higher institutions of learning.

5. That he has suppressed the civil courts by military tribunals, which have ignored writs of *habeas corpus* issued by the civil courts.

6. That he has refused to respect decisions of the Supreme Court holding some of his actions unconstitutional—a development regarded as the last straw in breaking down constitutional processes.

7. That his entire second term has been illegal and unconstitutional.

President Machado has been in office since May 20, 1925; he was reelected in November, 1928, for a second term, and was inaugurated the second time on May 20, 1929, for a term of six years. When elected in 1924, he was immensely popular; people had confidence in his pledge to give an honest business government and to retire from office at the end of four years without seeking a second term.

During his first term he used appointments, especially to the lucrative collectorships in the national lottery, to gain control not only of his own Liberal party but also of the Conservative and Popular parties, the only other existing political organizations. In 1927 he induced all parties in Congress to support his program for constitutional amendments which assured his re-election for a second term. These constitutional amendments, together with legislation passed by Congress, enabled the government to emasculate the electoral code written by General Enoch H. Crowder, former United States Ambassador to Cuba. Its provisions had created safeguards against manipulation of elections and against the control of political parties by unrepresentative cliques or government officers; periodic election of party officers was required, and the organization of new parties was provided for. The three parties nominated President Machado for re-election in 1928; he was reelected without opposition at the polls, and party control was fixed permanently in pro-Machado Congressional committees.

These constitutional amendments are the basis for the charge that the present government is illegal and unconstitutional. According to the opposition, the constitution provides that a constitutional convention may only approve or reject amendments proposed by Congress. The constitutional convention is said to have exceeded its authority by adopting amendments of its own proposing. Whereas Congress had proposed amendments extending President Machado's first term for two years and also extending the terms of members of Congress, the constitutional convention adopted entirely new amendments, permanently changing the President's regular term of office from four years to six years, lengthening the regular terms of members of Congress and limiting the Presidency to one term, though making an exception for the President in

office in order to permit Machado's re-election for six more years.

Between 1927 and 1931, the opposition demanded the restoration of the Crowder electoral code, a new census as the basis for a new Presidential election, the reorganization of the political parties, and the President's resignation. During this period Machado pursued a course of alternate repression and conciliation. At times he seemed about to compromise by acceding to all the demands except that of an immediate resignation, expressing willingness to permit a new election in 1932 with guarantees of no official intimidation or fraud. At other times he refused to consider reforms, and prohibited any criticism of his policies in the press or in public meetings.

Finally the negotiations for a compromise broke down and the revolution of August, 1931, occurred. As the army and the national police, now a part of the army, remained loyal, the revolution was quickly put down. After the revolution President Machado offered to institute reforms voluntarily, and urged Congress to enact legislation which would meet most of the criticisms of the opposition.

Early in 1932, however, President Machado abandoned the reform program and announced that he had no intention of resigning, that he would remain in office until the end of his term in May, 1935, and that martial law would be continued until that time. Terrorism followed.

Naturally the criticism of the repressive and dictatorial methods of the Machado government has overshadowed its many and important constructive accomplishments. President Machado has been a builder. The $100,000,000 public works program which he completed, including the 700-mile Central Highway connecting Havana with all parts of the island, and the handsome $20,000,000 Capitol in Havana stand as lasting monuments to his administration. These improvements have been criticized as wasteful and extravagant, but the fact remains that they are actually in existence, whereas previous Cuban administrations appropriated large amounts for public works which never materialized. American engineers say that the Central Highway could have been built for $60,000 or $80,000 a mile instead of $140,000, and undoubtedly large sums found their way into the pockets of politicians and contractors favored by the government. Yet the administration of President Alfredo Zayas (1921-1925) sought an appropriation of $390,000,000 to construct this same road, and it was Señor Machado who blocked the project.

In the early years of his administration, President Machado was acclaimed on all sides for his businesslike, efficient methods, and it was generally conceded that there was less corruption in Cuban politics than at any time since the administration of Estrada Palma, the first President. President Machado rid the country of the bandit groups that had infested the rural districts; he stopped much of the petty graft that had preyed upon business in Cuba for years; he reduced the national budget. The national credit was preserved by paying all the heavy interest and amortization charges on the public debt, despite the progressive decline in national income and governmental revenues during the depression.

In an effort to overcome the economic problem caused by the collapse of the sugar industry, he embarked upon a program of agricultural and industrial diversification which has shown signs of some degree of ultimate success, and he made a valiant effort to stabilize the sugar industry through crop and export limitation. Most important of all, Machado has kept the country from sliding into successive revolutions, such as have characterized some Latin-American countries in recent years, and at all times he has been careful to protect

the lives and property of foreigners.

For these reasons the American business community in Cuba and a large section of conservative Cuban business interests supported President Machado until comparatively recently. They felt that Cuba needed a strong man at the helm in the economic emergency through which it was passing, and that he was the one man in Cuban public life who could keep the ship of state on an even keel during the storm. It is the widespread use of terroristic tactics by the government which these interests have been unable to condone, and it is the deadlock which has developed in the underground war of terror which has led them to regard the situation as hopeless.

Even under a model government general unrest and an insistent demand for a political change would have been inevitable in Cuba as a result of the depression, which has been even more severe in Cuba than in the United States. Cuba is still practically a one-crop country, with 80 per cent of the national income dependent upon sugar. Four years before the depression became world-wide the Cuban sugar industry collapsed. This was the same year (1925) in which President Machado began his vast public works program, which doubled the public debt. Now, with sugar falling lower and lower every year, Cuba is caught in a vise between the low price of sugar and the high cost of a debt service which becomes relatively more burdensome every year in terms of the rapidly diminishing national income. She is squeezed tighter in this vise by the heavy taxation needed for the support of the military establishment which keeps the Machado government in power, and which consumes about 25 per cent of its revenues. Mounting taxes on business, including sales and consumption taxes on necessities of life and increasing customs duties on imported foodstuffs and manufactured articles have produced a state of stagnation in business. These conditions, added to the financial crisis, have reduced almost the whole population to a condition of semi-starvation.

Throughout Cuba's troubles under the Machado administration the United States Government has followed a "hands off" policy as far as the political situation is concerned. It has adhered strictly to Elihu Root's interpretation of the political article of the Platt amendment, against any "intermeddling" by the United States in the domestic affairs of Cuba. Since 1930 this country has exercised its power under the financial article of the Platt amendment to prohibit any further loans by American banks to the Cuban Government, thus preventing additions to the debt burden.

With the recent inauguration of President Franklin D. Roosevelt and a change from a Republican to a Democratic administration in the United States, Cuba is wondering whether there will be a change in the policy of the United States Government toward Cuba. Two questions were uppermost in the minds of every one in Havana during this writer's visit to Cuba. Will the Roosevelt administration negotiate a new reciprocity treaty and lower the American tariff against Cuban sugar? Unquestionably this would go far to relieve the special economic distress in Cuba caused by the collapse of its chief industry. And will the Roosevelt administration take a more active part in the Cuban political situation? This undoubtedly would lead to a restoration of democratic forms of government in Cuba. But both problems are complicated by issues of domestic and foreign policy in the United States, of an economic as well as a political nature, and are not by any means easy of solution. By the time this article appears steps may have been taken to deal with them. In any event they cannot be regarded as the least important of the many pressing problems which confront the new administration at Washington.

Farmers' Troubles—And a Remedy

By William Roy Ronald

[The writer of this article is editor of *The Evening Republican* of Mitchell, S. D. He has long been an advocate of the domestic allotment plan for farm relief and assisted the Senate Agricultural Committee in the framing of a farm parity bill at the recent session of Congress.]

In the same week that one farmer shot another during a farm strike clash near Sioux City, Iowa, a young farmer's wife in South Dakota wrote to a newspaper: "My husband had to buy a pair of shoes. To pay the price ($4) we brought to town twenty pounds of butter and twelve dozen eggs. That just paid for the shoes." The week's output of a nearly average farm to buy one pair of shoes! This simple story explains not only the farmer's wild attempt to stop marketing in order to raise prices, but also makes clear why an industry upon which 50,000,000 depend is in the slough of insolvency.

"But," says the city dweller who is out of a job or whose wages are below living costs, "the farmer at least has a place to live and plenty to eat. Compared to myself, he is well off." The city man, however, has missed the point. In thousands upon thousands of cases the farmer has lost his "place to live"; in many thousands more he is faced with eviction. Others are so deeply in debt that they see only dispossession ahead of them. Unable to meet fixed charges—taxes, mortgage interest or payments and irreducible farm costs—the farmer realizes that he faces that extremity which inevitably follows long-continued operating deficits. It means the loss of home and livelihood, in many cases the loss of an investment of $15,000 to $25,000—it is the climax of a *twelve-year* depression in American agriculture.

To the farmer the year 1921 signifies all that 1929 does to the man who saw his holdings vanish in the great stock-market crash. For agriculture there was no period of prosperity in the decade following 1921; that is the outstanding and significant fact behind "the farm problem."

During the World War farms were stripped of their man-power by enlistment, but the farmers were told they must produce food and more food to help win the war. When they inquired how they could get along without the hands that had been taken for the army, they were instructed to purchase labor-saving machinery. Banks, they were told, would lend the money. So the farmers bought as they had never bought before. Farm mortgages tell the story—from $3,320,470,000 in 1910 they jumped to $7,857,700,000 in 1920. Then, in 1920 and 1921, came the drive for deflation. The Federal Reserve Board's vigorous campaign against wartime prices is a matter of common knowledge. It is less well known that, as a climax to its other efforts, the board in 1921 called upon the member banks in the farm belt to repay their borrowings in thirty days! Farmers, asked in turn to take up their loans, flooded the market with their goods; prices broke again and again.

Then the unheard-of happened in the affairs of agriculture. Chattel mortgages went bad! Though they were regularly written at only half the market value of the grain or livestock security, prices tumbled so rapidly that by the time they came due in 1921 the collateral, for the first time on record, was not worth the

loan. These liquid assets had long been so desirable that they had always sold readily to banks throughout the United States. As they were, of course, endorsed by the issuing banks these home banks were forced to assume the losses. For their own protection the banks in many instances could do no better than take second mortgages on farms. That is how "frozen assets" entered the story of banking in the farm belt. If prices had risen again the banks could have worked off these mortgages, but prices never did. And so began, first in the Missouri Valley region as long ago as 1923 the bank failures which by 1932 had made their way the length and breadth of the land.

The closing of scores and then hundreds of banks dealt the farmers two more blows. Deposits were lost and receivers called unpaid loans. Foreclosures of farm mortgages followed; they have continued ever since, growing to appalling numbers in the last two years. That the farmer, from 1921 on, waged a losing battle to extricate himself from losses and debts is shown clearly by the record of farm mortgages, which increased from $7,857,000,000 in 1920 to $9,360,620,000 in 1925; in 1930 the figure stood at $9,241,390,000, and today the total is estimated, with accumulated delinquencies, at more than $10,000,000,000.

Why, since the whole country was extraordinarily prosperous from 1923 to 1929, did the farmer not pay off his debts during those six years? The question is pertinent; its answer embodies the correct analysis of the farm problem of today. Farm prices were deflated in 1921 and remained deflated; the cost of goods which the farmer was obliged to purchase never has fallen proportionately.

The story of the wheat farmer's experience in the last twelve years is typical. Wheat sold in the years 1910-14 at an average of $1.06 (terminal price). In the years 1921-30, including those six years of "great prosperity," wheat sold at the same terminal at an average of $1.05. In those same ten years, following agriculture's "black year" of 1921, non-agricultural commodities averaged 154 per cent of their pre-war price. During the entire decade it required nearly sixteen bushels of wheat to buy the same amount of non-agricultural commodities as were purchased by ten bushels in the five pre-war years. To secure pre-war exchange value, wheat should have sold at $1.63 in the years 1921-1930; actually it brought $1.05. The difference of 58 cents per bushel, on the 8,330,000,000 bushels of wheat produced in the United States in that decade, amounted to no less than $4,800,000,000. Thus, wheat lost nearly $5,000,000,000 in exchange value, compared with the pre-war period. In other words, the purchasing power of the farming community was decreased by just that amount.

A similar computation for hogs during the same ten years shows that their producers were short $2,700,000,000 in pre-war purchasing power. If a few more farm commodities are considered, the total reaches more than $10,000,000,000—the amount of pre-war exchange value taken from market prices of farm output in the years 1921-1930.

In the last two years farm prices have suffered still more, until late in 1932 the farm dollar had fallen as low as 36 cents! In other words, it took almost three times as much of the average farm products to secure a given amount of non-agricultural commodities as before the war. That is why the farmer's wife was able to obtain only one pair of $4 shoes in exchange for twenty pounds of butter and twelve dozen eggs. At pre-war exchange value she would have received three pairs of shoes. The farmer might as well have been receiving depreciated currency. The moment a dollar got into his hands its purchas-

ing power declined by an amount ranging from a minimum of 8 cents in his best year since 1921 to a maximum of 64 cents in 1933.

There is more than one reason for the failure after 1921 of the prices the farmer received to reach anything like parity with the prices he paid. The outstanding fact, probably, is that the United States Government continued the pre-war tariff system. It attempted to make its debtor nation policy continue to work after it had become a great creditor nation. Denied by American tariffs the opportunity to pay on their enormous debts or for their purchases by sending us their own goods, foreign countries discovered that their purchasing power in America had fallen. Nevertheless, the farmer was forced to go to foreign markets to dispose of his surpluses, and there he received a distress price, even as he did for the products sold in the United States. As evidence of the punishment taken by the farmer in his exports it should be recalled that in the first two years after the Fordney-McCumber Tariff act the United States furnished 41 per cent of the world's wheat exports; in the two years following the Smoot-Hawley tariff the percentage dropped to 15.

While depressed prices on exports fixed the price in the domestic market for all farm products in which there was an exportable surplus, the barriers between the producer and the consumer were raised to unprecedented heights. Freight rates, wages, rentals, in fact all costs entering into distribution, were increased. For example, the spread in 1910-14 between the price of 100 pounds of live hogs and the price of pork products to the consumer, was $6.91. In the period 1926-30 that differential was $16.31. In other words, pork had to carry a load two and a third times as heavy. The same has been true of all other farmstuffs. To collect from the consumer a fair price for the original product became correspondingly more difficult as the middleman increased his share.

One must never forget that the farmer can control neither the amount of his output nor the price he receives for it. The weather determines the one, the buyer the other. Such circumstances compel the farmer to be either a fatalist or an optimist. Because he must go on and take whatever comes to him, the more optimistic has developed the habit of hoping for better things next year. Unfortunately the next years have proved all alike. Today, floundering in a bog of indebtedness, unable to find enough produce on his farm to go even part way around to the tax collector, the interest collector and the bill collector, the farmer has in despair approached a revolutionary mood.

The farmer's attitude has not been helped by the knowledge that the tariff system which keeps up the price of goods he buys has been proclaimed as a device to keep the American workingman's standard of living above that in Europe. He knows that England, by taxing processors, guarantees wheat farmers $1.30 per bushel; that the Netherlands, taxing processors, guarantees exporters of hogs $5.50 per hundred pounds; that France, Germany and Italy, by import quotas, have kept prices of wheat from $1.50 to $2 per bushel, even in this depression. Knowing these things, while he is obliged to take 30 cents per bushel for wheat and a little more than $2 per hundred for hogs, he can hardly be otherwise than bitter toward a governmental policy that, so far as income indicates, keeps him *below* the standard of living among European farmers. When, in addition, his wife and daughters must go into the fields to do the work of men he cannot afford to hire; when he must work ten to fourteen hours a day though he reads of the five-hour day for the city worker; when he is deprived of all but the bare necessities

for his home and the operation of his farm, there are social as well as financial implications.

If farmers strike against the further marketing of farmstuffs or, thousands strong, defeat foreclosure sales by penny bids, they are acting not so much by design as by impulse. In despair the farmer naturally turns to measures of desperation. He acts from somewhat the same instinct as the drowning man clutching at a straw. After all, the farmer's outcries have accomplished something—they have made the rest of the country realize that there is a farm problem.

What does the farmer think about the proposals that have been made to help his industry? He is frankly bewildered. Is that surprising when those who would help him come forward with so great a multiplicity of plans? Marvin Jones, chairman of the House Committee on Agriculture, remarked privately after the House had passed, at the last session, what was left of the Voluntary Domestic Allotment Plan: "Well, I guess we did rather well, when we consider that 20 out of 22 members of my committee had plans of their own." In the babel of argument between all the proponents of the innumerable remedies advocated, the farmer is frankly confused and naturally pessimistic and skeptical. A complete failure like that of the widely heralded Farm Board's venture into the market has left him in a state of mind anything but hospitable to the most alluring of "plans."

When farmers have discussed among themselves what should be done, they have divided generally into two rather well-defined groups. One school has contended that the way out was to reduce taxes, reduce interest rates and reduce prices on everything the farmer buys, so that, by decreasing expenditures, he could come out more than even. The other group has insisted that the only salvation for the farmer was to increase his income, but this latter school has not seen its way so clearly as the other. To decrease outlay is a comprehensible thing; how to inflate incomes has baffled even the experts. That is why more of protest than of constructive proposal has been heard from the farmer himself.

Of the countless "plans" to help agriculture, only three have secured much recognition. The debenture fee, advocated consistently by the National Grange, would have given the farmer a subsidy on exports. The equalization fee, sponsored by the American Farm Bureau, would have taken the exportable surplus off the market, in order to make the tariff effective on the remainder, and then would have equalized the transaction by a settlement which spread the amount of the tariff over the whole crop. To both plans the objection was raised that the increased price would so stimulate production as again to lower market prices, leaving the farmer as badly off as before, but with a much greater surplus.

Not until the voluntary domestic allotment plan was completely worked out during 1932 did there appear any apparently constitutional measure that would raise the price to the farmer and at the same time control production. Because of its production-control feature the allotment plan has found greater acceptance outside the farm belt than any other proposal for relief. It is almost true that it has come to agriculture from the outside, as it was only after Congress had convened in the lame-duck session that the farm organizations, united at last, agreed to support it. President Roosevelt studied this plan shortly after his nomination, going into it thoroughly with numerous groups, and finally became so convinced of its soundness that he declared for it in all but name in his address at Topeka last September.

Farmers generally do not understand the allotment plan, but it has been explained to them at a good many meetings and the reception has probably been more favorable than

that accorded to any other for the betterment of farm prices. It should be distinctly understood that neither the bill passed by the House in the last session of Congress, nor that reported out by the Senate Committee on Agriculture, is the Voluntary Domestic Allotment Plan. The House did away with the allotments and the Senate struck out the control of production. Thus stripped, it was no longer recognizable. The original proposal will be introduced at the special session of Congress, backed by the new administration and by the farm organizations.

In three sentences, the voluntary domestic allotment plan is as follows:

1. The processors of wheat, hogs, cotton and tobacco entering domestic consumption will be taxed in an amount necessary to bring the return for each to pre-war exchange value.

2. Producers will sell in the open market as heretofore, but, on application, will be allotted annually the proceeds of the processing taxes, in proportion to the producer's past production.

3. Producers will receive their adjustment certificates on their allotments only if they agree to cooperate with other participating producers in a horizontal reduction or limitation upon production; this limitation to be in terms of acreage of crops and pounds of hogs marketed.

The computation of the rates of excise taxes on processing will not be as difficult as often believed. For example, on Nov. 15, 1932, the farm price of wheat was 33 cents per bushel; to obtain pre-war exchange values, wheat at that date should have sold for 93 cents; therefore, the difference of 60 cents would have been the rate of tax on processing and for computation of the adjustment certificate to the producer. On cotton, the differential at that time was 7 cents per pound, on hogs 4.6 cents and on tobacco 2 cents per pound.

While the rates on crops will be changed from year to year, to adjust to pre-war exchange values, that on hogs will be fixed, at not more than 3 cents per pound, because the price of a perishable product, such as pork, is directly responsive to any change in the relation between supply and demand. The Secretary of Agriculture would have power to change by percentage, from time to time during the marketing year, the number of pounds each participating producer of hogs might market for slaughter. As every farmer knows how to feed his drove to a specified weight and would be free to sell for other than purposes of slaughter, he should easily keep within his marketable quota. By this device the supply could be so adjusted to demand that the price could be virtually stabilized at the figure which, with the bounty, would provide pre-war exchange value.

The two objections most frequently raised against this plan are that it would make the Secretary of Agriculture a dictator and that it would set up an expensive and elaborate bureaucracy. While these criticisms were applicable to the mutilated bill passed by the House, they do not hold against the original plan. Two of the six "specifications" are that it must be cooperative and that its administration must be decentralized—requirements to be met by the working out of a system similar to that of giving Federal aid to highways. All details would be in the hands of county commissions, serving without pay, supervised by State commissions appointed by the Secretary of Agriculture, and receiving compensation by the day. Only local clerical aid would be authorized, except for such special representatives of the department as might be requested by the State commissions.

The burden of proof would rest first upon the producer, then upon the county commission and then upon the State commission, to show full compliance with requirements. Failure to make such a record as is required would automatically eliminate producer, county or State from the next

annual distribution of certificates. Thus the administration would be self-policing, and all producers would have a mutual interest to that end.

Cooperation would be required even in the determination of the amount, if any, by which acreage or hog marketing would be reduced in the quotas annually given each producer for the next marketing year. The Secretary of Agriculture could make the decision only with the advice of the States, which means essentially that of the producers themselves.

Application of the plan is limited to the four products in which there is an exportable surplus—wheat, hogs, cotton and tobacco—because a world market is required as a base to support the tax imposed upon the processor. In the case of hogs this would be reinforced by a continuous control of the volume marketed. In a wholly domestic market there would be no such foundation to carry the tax. The tax to be paid by the processors cannot be called a sales tax unless pre-war prices of foodstuffs included a sales tax, because the plan could not be used to bring prices above the pre-war exchange levels.

Within sixty days after the enactment of the measure, promised early in the forthcoming special session of Congress, it will be possible to distribute to producers of these four products adjustment certificates totaling more than $750,000,000. By the simple device of making certificates eligible for discount at the Federal Reserve Banks, they would be made immediately usable as bank collateral. Self-financed by the proceeds of the excise taxes, these payments in restoration of pre-war purchasing power of the farmer would place no burden upon the Federal Treasury either in expenditures or in financing.

Injection of new credit into the arteries of business would establish immediately a new purchasing power far greater than that added to the income of hog and cotton raisers by last Summer's brief advance in prices. It will be remembered that the increase of between 2 and 3 cents per pound on those two commodities was about all that could be found to account for the mid-year's spurt in business, which many believed indicated the end of the depression. Significantly enough, it lasted only until those two prices fell again to their former levels. But in the meantime the quotations on New York stocks had advanced $12,000,000,000.

This voluntary domestic allotment plan is the logical method of meeting the farm crisis, because it is a specific remedy for a specific ailment. Loss of purchasing power, as measured by pre-war exchange, has created the farmers' dilemma. By increasing the returns for market-controlling farm products, this plan should restore the purchasing power of all farmers to the pre-war level, when agriculture did get along and did get ahead.

If it is true, as is so often declared, that it is an advance in commodity prices—particularly the price of farm products—that always leads out of a depression, if it is true that the one sound basis for prosperity is an equitable distribution of the national income between various groups, then return of agriculture to parity with other industries, through the enactment of this plan, should be the means of bringing better times for the whole country. As for the $10,000,000,000 of mortgages and the other billions of claims upon the farmer, they will be realized only if he is given the income out of which to make payment. For the school districts and counties and States of the farm belt which are now threatened so seriously by tax delinquencies, the only hope is an increase of revenues by the restoration of the taxpayer's ability to pay. For 50,000,000 people that means the ability of agriculture to meet its operating costs and to have something left.

Warfare in the Chaco Jungle

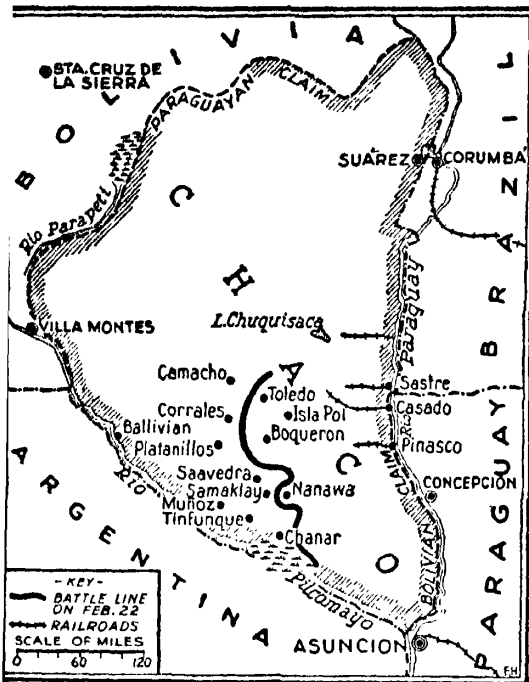
By JOHN W. WHITE
Chief South American Correspondent, The New York Times

FOR more than seven months Bolivia and Paraguay have been fighting a war in the Chaco that has given rise to several battles which, with the exception of Gettysburg, have been unequaled in the history of the Western Hemisphere. This is no Latin-American revolution, but a modern armed conflict between two sovereign nations which are straining all their resources to supply their armies with long-range guns, high-explosive shells, machine guns, bombing and pursuit planes and all the other equipment with which a modern war is fought.

At the moment neither Bolivia nor Paraguay will admit that the other has the slightest shadow of a claim to the Chaco region; yet both have admitted that the other has legal claims that would receive the careful attention of any court of arbitration. At various times they have entered into treaty agreements which recognized these rival claims, though none of the treaties has ever been ratified, and both litigants now insist that they are fighting a defensive war against the unjustified and illegal armed invasion by the other.

The Chaco region is a triangular area which is bounded on the east by the Paraguay River, while the Pilcomayo River runs southeastward along the other side of the triangle. On the west the Chaco ends where the low-lying foothills of the Bolivian plateau blend into the plain along the sixty-third meridian. There is no recognized geographical limit to the north, but the Chaco is usually understood to be that area lying south of the nineteenth parallel which runs through the Bolivian river port of Puerto Suárez and the Brazilian port of Corumbá, on the Paraguay River. The area is, roughly, 115,000 square miles—about the size of Arizona.

It was not until October, 1879, that any attempt was made to fix a boundary line through the Chaco. The attempt was not successful, and the question has been the subject of more or less sustained conflict ever since. Both countries are agreed that their controversy should be settled on the principle of *uti possidetis*, which leaves belligerents in possession of what they have acquired by arms during a war. When the South American republics won their independence from Spain they agreed to fix their frontiers along the boundary lines which separated them as colonies of the Crown. The *uti possidetis* of 1810, therefore, would be the boundary line of the colonies as they existed in 1810, which seems simple enough until it is learned that Bolivia says it means "you remain with what you had" and Paraguay says it means "you remain where you were." In the present case these two definitions are so hopelessly divergent that only outside assistance or interference can settle the Chaco dispute.

Bolivia claims the Chaco to the confluence of the Pilcomayo and Paraguay rivers at Asuncion by right of crown titles and *cedulas* which fixed the Pilcomayo and Paraguay rivers as the boundaries of the colonial territory which fell under the jurisdiction of the *Audiencia de Charcas*, a crown tribunal which sat at Sucre, the legal capital of Bolivia. After the wars of independence, the territory which had been under the *Audiencia de Charcas* became the Republic of Bolivia. Bolivia maintains, therefore, that it

The disputed Chaco region

'had" the entire Chaco under the *uti possidetis* of 1810.

Paraguay, on the other hand, also has crown titles and documents which, it is maintained, give it possession of parts of the Chaco, but European knowledge of South American geography in the seventeenth and eighteenth centuries was even more confused than it is now. Paraguayan claims, however, are based more on the discovery, exploration and colonization of the Chaco before 1810; thus under Paraguayan definition of *uti possidetis* that nation is entitled to occupy the region. The founders of Asuncion crossed the Paraguay River and started toward the Bolivian plateau in search of gold. Colonists followed, and Paraguay had so well established itself in the southern part of the Chaco along the Pilcomayo River that when in 1878 President Hayes was asked to act as arbitrator between Argentina and Paraguay, he awarded to Paraguay that part of the Chaco lying west of the Paraguay River, north of the Pilcomayo River and south of the Rio Verde, which flows from west to east just south of the twenty-third parallel.

The stage has, therefore, long been set for war. The wonder is that it was delayed so long. Both armies had been modernized. The Bolivian Army had been efficiently trained by a German military mission composed of officers who had had considerable experience in the World War. Similarly, the Paraguayan Army had been under an equally experienced French mission. About a year before the war started the French mission in Paraguay was replaced by one from Argentina. Gradually Bolivia and Paraguay advanced their military positions in the Chaco until their parallel lines of so-called forts almost met along the sixtieth meridian. Each had fourteen positions in the main line of forts which have since been in the fighting.

Most of these forts are stockades or small groups of wooden and adobe buildings used for housing the garrisons. Only the more important ones have roofs. When the war started in July, 1932, but two of these positions could by any stretch of the imagination be called forts—Muñoz on the Bolivian side and Ayala, or Nanawa, on the Paraguayan side are fortified positions of real military importance. As the average distance between the lines was about fifteen miles, it was inevitable that the scouting detachments of two hostile armies so close together should clash; it was also inevitable that one of these clashes would eventually lead to reprisals and then to war.

The skirmish which occurred in June on the shores of Lake Chuquisaca, far to the northward, was merely one of several clashes which have occurred within the last few years between two small detachments which unexpectedly found themselves face to face and felt it their patriotic duty to shoot. On one side of the lake a Paraguayan corporal and his squad were garrisoned in a thatched hut which the Paraguayans called Fort Pitiantuta. A small road-surveying detachment of Bolivians arrived on the opposite shore and prepared to establish themselves there. When the Paraguayan corporal and his squad objected, the Bolivians routed them and occupied Fort Pitiantuta. Paraguay, considering its national honor offended, sent a large detachment to recapture Pitiantuta from its Bolivian occupants. Now Bolivian national honor was involved and the Bolivian general staff did not consider that the offense had been expiated until Bolivian troops had captured three Paraguayan forts—Boqueron, Corrales and Toledo. In the months that followed thirty so-called forts have changed hands and approximately 50,000 men have been killed, wounded or captured or have died of thirst, disease or snake-bite.

Boqueron, like most of the Chaco forts, is surrounded by jungle. In June or July, 1932, it was garrisoned by eighty men under a Lieutenant, who, discovering himself badly outnumbered, decided to abandon the fort and retire to Isla Poi, twenty-six miles to the northeast. When the band had proceeded some distance, the Lieutenant ordered his detachment to continue on its way while he disappeared into the thick undergrowth with half a dozen picked men and three machine guns. They remained hidden in the brush until the Bolivians, who were pursuing, returned to Boqueron. Then the Paraguayans silently made their way through the jungle back to the fort, arriving after the Bolivians had completed a thorough search which convinced them that no enemy was in the vicinity.

The Bolivian commander mustered his men in the small clearing in front of the fort, congratulated them on their victory and ordered the Bolivian flag to be raised. As it started slowly up the mast, three machine guns barked out from the foliage of three trees in the jungle overlooking the clearing. The Bolivian commander was one of the first to fall; dead and dying Bolivians were scattered all over the clearing before the others got under cover. The Paraguayan Lieutenant and his men arrived at Isla Poi the next day, the jungle having covered their retreat. It was a typical Chaco war incident.

The war actually started when Paraguay attempted to recapture Boqueron. The Paraguayans had learned that Bolivia was planning an offensive against Isla Poi for Sept. 11, 1932. Two days before that date, the Paraguayans attacked Boqueron, only to find that the modest position they had abandoned a few weeks earlier had been converted into a real and impregnable fort. Now it was surrounded by efficiently constructed trenches, arranged in échelon and strongly protected by heavy hardwood logs and entanglements. Machine-gun nests, some of them two stories high, defended Boqueron in every direction, raining bullets on the attacking Paraguayans. One or more machine-gun nests had an uninterrupted sweep of every road or trail by which the Paraguayans could approach and the Bolivians were abundantly supplied with ammunition.

At once it became apparent that the fort could not be taken by assault. Colonel Estigarribia, the Paraguayan chief-of-staff, therefore decided to besiege it, Boqueron thus becoming the first example on American soil of warfare on modern lines. It has been said that Bolivia at no time had more than 750 men in Fort Boqueron, but they had established their defenses so efficiently that for twenty-three days

practically the entire Paraguayan army was held at bay. Boqueron was finally surrendered to 12,000 of the enemy. Its defenders had been defeated by thirst rather than by arms.

From the first the Bolivians demonstrated their superior military training and discipline. The Paraguayan army for generations had been merely a collection of regiments of hard-fighting volunteers recruited in various parts of the country by local chiefs who have military titles but no technical military training. The Paraguayans prefer the machete to the rifle, and glory in hand-to-hand combat. In the early days at Boqueron they stormed the outer defenses time after time, calling the Bolivians cowards and daring them to come out of their trenches and fight. Of course, the Paraguayan losses were enormous. In one instance the Bolivians remained under cover until an entire Paraguayan regiment of 600 had clambered over a stockade; then the order was given to fire and the Paraguayan regiment was wiped out within a few moments after its commanders had telegraphed to the Paraguayan headquarters that Boqueron had been recaptured.

After that incident the newly mobilized Paraguayans were moved up to Boqueron as rapidly as they could be equipped for service. To prevent the arrival of Bolivian reinforcements the fort was entirely surrounded. During the three weeks' siege that followed there was heavy fighting in the vicinity of Boqueron, but most of it was with Bolivian detachments which were trying to reach the fort, rather than with the fort itself.

Water for the Paraguayans had to be brought twenty-six miles from Isla Poi under cover of night to escape the bombs of the Bolivian airplanes which flew over the two roads seeking to destroy the water convoys. For man and beast water had to be carefully rationed. The horses of the cavalry were sent far to the rear and those horses which were kept at the front as indispensable received a soup plate of water every other day. The Paraguayans soon found and cut a hose by which the Bolivians were being supplied with water from a well several miles in their rear; after that Fort Boqueron was doomed. Corpses had fallen into the only well within the fort's enclosures and Paraguayan sharpshooters picked off the thirsty soldiers who tried to crawl on their bellies to a small puddle in No Man's Land. By day and night there rose within Boqueron the pitiful cry for water. And it was echoed from the equally thirsty boys in the Paraguayan first-line trenches. For those within, the water never came; for those outside, it came at long intervals, a few mouthfuls, counted out as carefully as precious medicine.

When Boqueron finally surrendered, on Sept. 29, the Paraguayans found themselves within striking distance of four small Bolivian forts—Yucra, Ramirez, 14 de Diciembre and Lara—in which the Bolivians were concentrating fresh troops. To prevent a renewal of the Bolivian offensive from these positions, the Paraguayans attacked and easily captured them, obtaining possession of several square miles of hitherto unknown territory.

Bolivia now rushed reserves to the Chaco. The Bolivian general staff had evidently underestimated the time it would require to put a Paraguayan army into the field. But early October found 20,000 Paraguayans under arms, while the Bolivian army had been left to its own devices because the government at La Paz was occupied with a Cabinet crisis.

The moment was opportune for a Paraguayan offensive. In the fighting which followed, Paraguay not only recovered Toledo and Corrales, but broke through the main line of Bolivian forts and, capturing them, one by one, without serious fighting, advanced southward as far as Saavedra and northward and westward through Platanillos, Bolivar and Loa. During October and November Para-

guayan troops captured thirty Bolivian forts and positions, pushing the Bolivian line back fifty-six miles to the north and fifty miles to the west of the positions which Bolivia occupied when the war started. Between 4,000 and 5,000 square miles of Chaco territory which had never before been under Paraguayan domination were occupied.

At Fort Saavedra Bolivia finally rallied, the politicians at La Paz having settled their differences. On Dec. 1 a battle began there which was to be the most stubborn and sanguinary fought so far. Saavedra is situated at the junction of three roads about thirty-five miles east of Fort Muñoz, Bolivia's most important position in this part of the Chaco. One of these roads runs westward to Muñoz, one northward to Alihuatá and Fort Arce, the third southeastward to the Bolivian forts Cuatro Vientos, Tinfunque, Sorpresa and Chañar. Saavedra, Cuatro Vientos, Tinfunque and Sorpresa serve as outer defenses of Muñoz, the concentration point for men and supplies destined for the other Bolivian forts.

The Bolivians entrenched themselves at Saavedra and captured the Paraguayan fort Samaklay, or Aguarrica, ten miles east of Saavedra, thus establishing a salient which the Paraguayans have never been able to straighten out. Profiting by their experience at Boqueron, the Bolivians constructed their defenses at a considerable distance from both Saavedra and Samaklay to prevent their being invested.

The region about Saavedra is heavily timbered, though the fort itself is situated in a clearing. North of Saavedra is a wide belt of heavy timber, beyond which is another clearing. This second clearing is four miles and a half from Saavedra on the road to Alihuatá and is called Kilometre Siete. It was at Kilometre Siete that the famous battle of Saavedra took place, and it was there that the Chaco war reached the climax of its horrors.

Fort Saavedra itself is only a group of log and adobe buildings, but in the timbered belt between Saavedra and Kilometre Siete the Bolivians constructed a veritable Hindenburg line of trenches upon which the Paraguayans were unable to make any impression. The trenches run the entire length of several small islands of thick timber which are separted from one another by narrow clearings. Machine-gun nests, most of them two stories high, are mounted at each end of the trenches to prevent the attackers making any headway through the clearings.

The Paraguayans, digging themselves into individual trenches facing the Bolivians, brought up their artillery and mounted it in the woods behind their lines. For a month they tried unsuccessfully to make some headway toward the fort. From La Paz, Bolivia sent long-range Belgian mortars which are admirably suited for use at Saavedra, where the woods are so thick that direct artillery fire is impossible. The mortars set up behind Saavedra dropped barrage after barrage of shrapnel into the clearing where Paraguayan soldiers were lying on their bellies in individual trenches, cursing all the feminine ancestors of an enemy who would not come out and engage in hand-to-hand combat.

Each day was like the day before. Hostilities began before dawn with an artillery bombardment from both sides. As soon as it was light the big Bolivian planes roared out over the Paraguayan positions, swooping down occasionally to use their machine guns, but usually flying high to avoid the anti-aircraft guns, many of which the Paraguayans had captured from the various Bolivian forts which had fallen into their hands. By the time the sun was up, hell had broken loose in all its fury. Planes roared as they swooped and climbed again; big shells whined overhead; the Paraguayan guns boomed and banged behind; while from far in front came the deeper hollow roar of the Bolivian

mortars. Machine guns kept up an incessant sharper clatter, and the deafening explosion of big shells was accompanied by the screams of dying men and the shouts and curses of those who were sure one more kind of noise would drive them insane. And then it would come—the diabolical, taunting scream of a siren which one of the Bolivian aviators had attached to his exhaust.

By 11 o'clock the heat was so intense that hostilities had to be suspended until 4 or 5 in the afternoon. Sometimes the bedlam would be renewed in the cool of evening; sometimes there would be only a few exchanges between the artillery. Through all the roar and thunder, the Paraguayans kept alert for one sound—the order, "Charge with bayonets." Anything was better than lying there on their stomachs. But their charges were useless. When, two or three times, surprise night attacks were tried, the Bolivians immediately sent up star shells and flares; the night attacks accomplished little.

When General Kundt returned from Germany to take supreme command of the Bolivian forces, 20,000 men were engaged at Saavedra. He relieved the Paraguayan pressure against the fort by moving fresh troops into the Chaco by way of Ballivian, Cabezon and Platanillos. He recaptured Platanillos and Corrales and threatened Boqueron and Arce. Then he began a new advance in the south against Fort Nanawa, or Presidente Alaya, Paraguay's most strongly fortified position. By Feb. 1 Paraguay was again on the defensive along a front of approximately 250 miles, extending from Camacho, in the north, to Tinfunque, in the south. In many places, especially near Nanawa, the troops were surrounded by swamps and floods which prevented the movement of large detachments, and it was not expected that further important advances could be made until April, when dry weather returns.

Without seeking to weigh the merits of the rival claims of Bolivia and Paraguay, it can be said that the Chaco war is a by-product of South American politics. Unlike European wars, no vast business interests are involved. The Chaco hides no wealth of natural resources to tempt foreign concession hunters. But long ago weak South American Presidents found that the most effective way of defending themselves from revolution was to stir up a war scare. The Chaco has served this purpose so often in both Bolivia and Paraguay that the people of both countries are convinced that the problem can be solved only by war. The tail is now wagging the dog and neither government dares to make a move toward peace. President Guggiari of Paraguay was forced to resign because he tried to put down a student movement in favor of war in the Chaco, and one of the most able Foreign Ministers Bolivia has ever had was forced to resign and is now living in exile because he believed there was a peaceable way of settling the problem instead of going to war.

BUENOS AIRES, Feb. 1, 1933.

Iraq's Rise to Nationhood

By WILLIAM C. BAGLEY

[The following article is based upon the author's experience and observation as a member of a commission appointed by the Iraqi Ministry of Education in 1931 to recommend an educational program for the kingdom. Dr. Bagley is Professor of Education in Teachers College, Columbia University.]

IRAQ, the youngest of the sovereign States, occupies a territory renowned in history. For thousands of years the rich alluvial plain between the Tigris and the Euphrates Rivers supported successive indigenous civilizations, the latest of which was already decadent when Bagdad was sacked by the Mongols in 1258. For nearly seven hundred years aliens ruled Mesopotamia; after the Mongols came the Tartars, the Turkomans and the Persians, then the long alternation of Persians and Turks—a stranglehold which at last was broken by the British conquest and occupation during the World War.

Under a British mandate from the League of Nations the Kingdom of Iraq was set up in the years following the signing of the Treaty of Versailles. Later the mandate was so modified that the partial sovereignty of Iraq was recognized, though most of the governmental functions still remained under British supervision. On Oct. 6, 1932, however, Iraq, on the recommendation of Great Britain, was admitted to the League of Nations as a member State possessing full sovereign powers, and thus, after nearly seven centuries of rule by alien races, the rich valley of the Tigris and Euphrates is once more inhabited by a free and independent people.

The population of Iraq is predominantly Arab, though small minority groups of Kurds and other races dwell in the north near the Turkish frontier. In religion, sometimes an all-important factor in the East, the Iraqis are almost wholly Mohammedan. Such racial and religious homogeneity might be expected to provide a substantial basis for national unity. But in the case of Iraq this is not entirely true because of the tenacious character of Arab political traditions, which tend strongly toward decentralization. Alien control, even for many centuries, would not in itself have prevented the development of a nationalistic spirit. Among the Iraqi Arabs, however, tribal loyalties and intertribal enmities have been supreme. In a real sense these traditions have been a condition of survival. The desert provides at best only a precarious subsistence, and the intertribal raids have been an essential element in the economy of the desert. There have been alliances for temporary purposes, but the unification of all the tribes on a national basis was another matter. Iraq, indeed, reflects on a small scale the problem that the world faces in attempting to outlaw war and insure international unity. The tribal loyalties of the Arabs are in microcosm the national loyalties of the western world. Tribal particularism and tribal rivalries are among the most important problems that Iraq has to solve.

Although the pure nomads are decreasing in number they still constitute an important part of the population of Iraq. They live as the nomads have lived for thousands of years, except that intertribal raiding has been greatly reduced by the government through the use of the military airplane, which greatly facilitates the

The Kingdom of Iraq

detection and punishment of raiders. Desert tribesmen who have successfully defied punitive expeditions of infantry, cavalry and artillery for centuries admit that they cannot cope with the airplane and the tank. However much one may admire the courage and independence of the nomads, the stamping out of warfare among tribes is a necessary step.

Gradually and in recent years more rapidly the nomadic tribes have been giving up the desert life and have settled on the irrigated lands. Nearly one-half of the population of Ira , is now made up of these settled and partially settled tribes. The proportion is increasing each year, for motor transport across the desert is rapidly displacing camels, the breeding of which for the caravans has, throughout the ages, been the principal livelihood of the nomadic tribes. The development of motor transport began five years after the close of the World War, when an Australian officer of the British Expeditionary Forces blazed a motor trail across the Syrian desert—a bee-line from Damascus to Bagdad. A trip that often required more than a month by camel over a circuitous route is now made in twenty-two hours by truck or bus over a compass-laid trail. Other motor routes connect Bagdad with Teheran and trading centres to the east. The caravans cannot meet this competition, and what one of the Iraq leaders has called "camel unemployment" has been the natural result. Many tribes have, for this reason, been forced to abandon the desert and to settle in the farming regions.

The settlement of the former nomadic tribes, however, has not meant the abandonment of their desert traditions. Their principal loyalties are still tribal loyalties. Even tribes that have been settled for years count their numbers on the basis of "fighting men." Skill in horsemanship and marksmanship continue to be the prime masculine virtues and the rifle, the pistol and the dagger are very much in evidence.

The traditions of the desert persist in other forms. To the nomads of the desert water has been and still is a precious commodity to be used most frugally. To employ water in the interest of cleanliness would be extravagance. As long as the nomadic life continues the effects of unhygienic living conditions are offset in part by frequent movement from place to place and by the germicidal influence of sunlight and the desert air. When the tribes settle, however, hair tents give place to ill-ventilated reed houses or mud huts; filth accumulates and disease germs multiply. And although there is an abundance of water in the irrigated sections, the desert taboo against the free use of water still persists. Many other desert-born customs have acquired through the ages a ritualistic sanctity that persists tenaciously after the desert has been left behind. Under such conditions it is small wonder that the death-rate among the settled tribes and especially infant mortality are high. Scourges such as cholera and typhus seem to be well under control, but a particularly obstinate disease of the kidneys prevails among a large proportion of the inhabitants of the irrigated regions. It has a debilitating effect re-

sembling that of the hookworm disease. Infections of the skin and eyes are also endemic and 80 per cent of the people are said to be afflicted with trachoma.

The wealth of Iraq in natural resources is beyond question. The soil is remarkably fertile and needs only irrigation and drainage to make it highly productive. The opportunities for the irrigation of the plain between the rivers are unique since the bed of the Euphrates is somewhat higher throughout most of its course than that of the Tigris, and since the plain slopes slightly toward the latter. Only a beginning has been made toward realizing these possibilities; indeed, the earlier Mesopotamian civilizations employed irrigation on a vast scale. Automobiles are driven for miles along the beds of ancient ditches that are wider and deeper than those in use today. A much larger proportion of the plain was under cultivation at that time and the area was much more thickly populated. Even as late as the tenth century Bagdad was reputed to be the largest city in the world, with a population of 2,000,000. Its population today is not an eighth of this figure.

Modern Iraq, however, has important resources that were not available to ancient Mesopotamia. In the northern and northeastern sections of the country there are oil deposits that are among the richest in the world. As Iraq itself lacks capital a concession has been granted to an international syndicate to develop the oil fields. Cheap fuel is already available for the pumps which are used in irrigating land that cannot be watered by gravitation from the ditches. There are prospects, too, that oil will be used as a source of power for manufacturing; and most important of all are the possibilities of exporting oil. Two great pipe lines, already under construction, will carry the petroleum from the Mosul field in Northern Iraq across the desert and mountains of Syria and Palestine to the Mediterranean. Even now a considerable revenue is derived from the oil concessions. The Iraqi Government wisely devotes this revenue, which amounts to $1,500,000 annually, to permanent improvements rather than to current expenditures. In anticipation of increasing royalties from petroleum a five-year program has been inaugurated for the development of extensive irrigation projects and for the construction of roads and bridges, schoolhouses, postoffices and other public buildings.

Other forms of mineral wealth may be found in the mountains which form the northeastern frontier, but even apart from such further discoveries Iraq must be recognized as a country of great potential wealth. Its present population, including the nomadic tribes of the desert regions, is estimated at about 3,000,000. Yet the resources are such that a population of 20,000,000, or even 30,000,000, could easily be supported. Thus Iraq is one of the few underpopulated countries of the Eastern Hemisphere and offers opportunities for settlement and development that can be equaled in few other parts of the world.

Unfavorable economic conditions at present handicap the development of the country. Owing to the world-wide depression the export trade in cotton, wool, fruit, grain and other agricultural products has sunk to a low point. At the same time, the first business of any government, the establishment and maintenance of order, necessarily consumes a large part of the revenue. The standing army, while relatively small, is larger than would be necessary in almost any other country of similar area, for a considerable part of the population is still made up of desert and semi-settled tribes, among whom, it is said, there are 50,000 rifles as against 10,000 in the Iraqi Army. The army must be well equipped, therefore, with airplanes, tanks and machine-guns if it is to maintain its supremacy and insure order. In addi-

tion to the military establishment a semi-military constabulary must patrol the roads and trails that connect the towns and villages, for except where the land is irrigated the plain between the two rivers is a barren desert with surface features well adapted to banditry.

Undeterred by the number and magnitude of obstacles, the leaders of the new State are resolutely facing the task of molding its people into a unified nation and of realizing the rich possibilities now undeveloped. They recognize that the problem is fundamentally one of education.

Of first importance is the improvement of hygienic conditions, especially in the villages and among the settled and semi-settled tribes. This will involve the abandonment of many of the deeply rooted customs to which reference has already been made. It will necessitate at first the recruiting and training not so much of teachers in the usual sense of the term as of public-health instructors, of teacher-nurses.

Next to be desired is a change in the attitude of the tribesmen toward labor. For centuries the nomad has looked with disdain upon the farmer. It will take time to develop a respect for and pride in competent workmanship in the pursuits of a settled life, but the task is not impossible.

The extension of literacy on a universal scale is a third important objective. In so far as the purely nomadic tribes are concerned, the obstacles appear insuperable, but with the settling of the nomads this will become a less difficult problem. The efforts of Iraq's educators are seriously handicapped by the difference that exists between the vernacular and the language of literacy, which is a modification of classical Arabic. As in other countries where illiteracy prevails, many of those who have had the advantages of schooling have found employment in the government service. Education has come to be associated with a government job, and the consequences when the supply of such jobs becomes exhausted are most unfortunate. For example, the Iraqi school of agriculture was discontinued because all government posts, principally in the irrigation service, were filled. Further appointments to new jobs were unlikely, and students refused to attend the school. Individual initiative and enterprise are woefully lacking, although the vast undeveloped wealth of the country literally cries out for these qualities. As long as schooling is limited to a relatively small part of the population this condition is likely to continue.

Clearly related to the problem of developing individual initiative and enterprise is another vital need which has its roots in the mental habits and attitudes that developed during a long period of absolute and alien rule. It arises from the almost complete absence of a collective sense of responsibility on the part of the local community. The first recourse is always to the central government. Under a despotic rule, if the central government fails to provide relief or protection or whatever may be needed at the time, it is the will of Allah. When a measure of freedom prevails, as in the new Iraq, any failure of the central government to do something for this or that community is almost certain to arouse sharp criticism of the government, but there is little likelihood that the community concerned will undertake to remedy matters itself.

The situation that thus arises is intensified by the tribal loyalties and the lack of national unity which have already been mentioned. The Iraqis generally do not as yet recognize that the government, whether of the kingdom or of the vilayet (the county), is *their* government, and that they must assume collective responsibility through their ballots and through their representatives in Parliament for its efficiency. For centuries the collective problems of the Iraqi people

have been solved for them, in so far as they have been solved at all, by central authorities, and it is scarcely to be expected that the deeply rooted habits of dependence then developed can be uprooted merely by the change to a liberal form of government. Education alone can eradicate the old attitude.

Still another objective of Iraqi educational reform is the provision of opportunities for the enlightenment and liberation of women. Here again traditions and standards that have evolved through long centuries must be broken down, but it is encouraging to note that the Moslem leaders are practically unanimous in supporting the extension of education to women.

Under Ottoman rule in Mesopotamia only a beginning was made toward establishing an educational system. In 1913 about 6,000 pupils were enrolled in 160 primary schools. Religious instruction was commonly given in schools attached to the mosques and some of these provided a modicum of instruction in reading and writing. There were a few missionary schools. In the government schools Turkish was the language of instruction—an alien tongue to practically all the pupils.

Soon after British forces occupied Mesopotamia during the World War steps were taken to organize a system of public education. Under the direction of British officials schools were opened in Bagdad, Mosul, Basra and other centres; Arabic replaced Turkish as the language of instruction; promising Iraqi students were sent to the American University at Beirut and to other foreign schools; teachers' training colleges for men and women were established in Bagdad; two technical schools were founded to provide instruction in agriculture and engineering, and a school of law and a medical college were established.

Under the British mandate progress was slow but substantial, and the Ministry of Education was the first department of the Iraqi Government to be given over by the mandatory power to Iraqi control. A British adviser was still retained, but his duties were strictly limited to those implied in his title. During the year 1930-31 the schools of all types, both governmental and private, except the mosque schools, enrolled 50,000 pupils, and the government schools showed an increase of 20 per cent in enrolment over the preceding year. The total enrolment was about 1.6 per cent of the estimated total population. From this it can be seen that Iraq still has a long way to go before the goal of universal education is reached. Encouraging progress has been made, however, and Iraq begins its career as a sovereign State with the foundation of its educational system firmly laid and with a corps of well-trained and competent educational leaders who have been selected solely on the basis of ability and without regard to race or religion. These officials, moreover, are young and full of enthusiasm for their task.

It is well within the range of possibility that the Iraqis, inspired by independence and responsible sovereignty, may ultimately make their country the centre of a new Arab civilization. Though the Pan-Arab ideal appears likely to remain a dream, the movement to bring the Arabic-speaking peoples into closer cultural relationship has gained substantial headway. Both geographically and culturally the Arab world occupies a strategic position between the East and the West. Of all the Arab countries Iraq appears to be in the best position to assume leadership. Although it may never reproduce the material splendors of Babylon or Nineveh or Kish or the Bagdad of Haroun al Raschid, it may have a notable rôle in leading the Arab world to a respected and influential position in the world.

The Family in Soviet Russia

By SIDNEY WEBB

[The following article is the last in a series of six which Sidney Webb, the leading exponent of Fabian socialism in England, has contributed to CURRENT HISTORY. In these articles he has presented an account of many phases of the Communist experiment in the Soviet Union, basing his discussion upon personal observation and his long experience in the study of social problems.]

ON no part of the life of Soviet Russia is there in other countries so much difference of assertion (if not of opinion) as on what is happening to the institution of the family. On no subject, perhaps, is it so difficult to make either an accurate or a convincing statement covering either all aspects of the inquiry or all parts of the U. S. S. R. Let us try to build up, from some significant fragments of the problem, the nearest approach that can be made to a general conclusion.

We must begin by realizing the nature and the magnitude of the changes that the revolution has wrought in the position, first of the women of Soviet Russia, and then of the children and adolescents. Here, paradoxically enough, we may fairly leave out of account the only classes of women and children about whom Western Europe and America ever knew much! The tiny fraction of aristocratic women, together with the governess-trained wives and daughters of the lesser nobility, of the higher government officials, of some of the rural landlords and of the few wealthy employers, have practically disappeared from the Russian community. Some few were killed in the wild uprising of the peasantry in the first few months of the revolution, and some more in the outrages and reprisals that marked the ebbing and flowing tides of the rival soldiery in the two years of civil war, for which the "White" armies, strengthened by the contingents of the United States, Japan, Great Britain, France and Czechoslovakia, were at least as much responsible as the Soviet Government. Many more have naturally died in the fifteen years that have elapsed. But by far the greater number got away in the successive emigrations, and they and their families now permanently form part of the population, not of Soviet Russia, but of France and Italy, Austria and Poland, Rumania and Greece, Great Britain and the United States. Only the minutest fraction of what was itself never more than a tiny section of the whole population is now in the U. S. S. R., and this infinitesimal remnant seems silently to have disappeared into the proletarian mass.

How much Russia has lost, on the disappearance of practically all its upper and middle class women of leisure with their standards of value and their refinement of manners, it would be hard to estimate. Of educated women engaged in professional work (as doctors, scientists, teachers or writers, or in music, dancing or the drama) the number was formerly relatively small; and of such of these as have not emigrated with the wealthier classes, a considerable proportion seem to have accepted, more or less sympathetically, the new régime, under which they promptly found their feet and continued their careers amid the rapidly growing number of women professionals.

What we have to concentrate attention on is, none of these relatively small groups, but the great bulk of the adult women of pre-war Russia, at

least nine-tenths of the whole, who were either the hard-working wives, daughters or widows of peasants, fishers or hunters or of independent handicraftsmen, or else domestic servants in superior households, or (in relatively small numbers) factory operatives, chiefly in textiles. There is little information available as to what that mystic entity "the family" in fact amounted to among these vast hordes of hard-working women, but pre-war native literature gives a dark picture. The great majority of them were illiterate and superstitious and in complete subjection to their husbands or fathers. It is not usually remembered that a large proportion of them, possibly as many as one-fourth, were Mohammedans, and were habitually veiled, with the status and ignorance that this implies.

Housing is still the weakest point in Soviet Russia, but in Czarist times, the homes of nine-tenths of the whole population, whether in town or country, were universally unsanitary, overcrowded and filthy, to a degree unknown in any but the worst of the city slums of Western Europe. The peasants were as continually decimated by disease, recurrent famine and premature death as in the Europe of the Middle Ages. They had next to no medical attendance. No doubt mothers loved their children, as they do everywhere, but it is clear that the child damage-rate and the infantile death-rate were alike enormous. Practically every workingwoman was aged before she was 50. As to the marital fidelity of husbands or the chastity of the unmarried daughters, there were naturally no statistics. But he would be the most sentimental of optimists, with the least possible acquaintance with peasant or factory life, who could imagine that, in these respects, pre-war Russia was any different from the Britain or the Germany of the seventeenth and eighteenth centuries, about which we seldom think or speak.

Now let us see what changes have occurred or are in progress. The first thing that the Bolshevik revolution brought to the women of Russia was their complete legal and constitutional emancipation; the second was their education on an equality with men; and the third was such a planning of the social and economic environment as could be devised to lighten, as far as practicable, the exceptional burdens of the maternal and domestic functions incident upon their sex. Thus women over 18 were at once given votes on the same conditions as men, with equal trade-union and co-operative membership, and equal eligibility for promotion. All occupations and all positions were thrown open to both sexes. No distinction is made between the sexes in wages or salaries, holidays or insurance benefits. No woman is deprived of her job on marriage, though she may, and often does, prefer to abandon it, perhaps only for a term of years, for child-bearing and motherhood. The laws relating to marriage and divorce, and their privileges and responsibilities, have been made the same for women as for men. It must be added that women working in industrial factories have been accorded certain special privileges and protection in the interests of the children no less than those of the mothers, such as sixteen weeks' continuous leave of absence on full pay round about their confinements, the right of taking time off without loss of pay to nurse their babies every few hours and the provision of a crèche at every industrial establishment, at which the young children may be safely left throughout the working day.

These changes, which few would object to characterizing as reforms, were, unlike so many that we have heard of, not merely enshrined in legislation. The visitor to the U. S. S. R. cannot fail to see them nearly everywhere in operation. In the various technical schools he will notice nearly as many girls as boys, learning

to be engineers or carpenters, electricians or machinists. In every factory that he passes through—and not merely in the textile and clothing trades—he sees women working side by side with men, at the lathe, the bench or the forge, often sharing in the heaviest and most unpleasant tasks as well as in the skilled processes. Women work in and about the mines and the oil fields equally with the men. On board the Soviet mercantile marine there is a steadily increasing number of women sailors, engineers and wireless operators, usually dressed as men, as well as stewards and cooks and cleaners. A large majority of the school teachers and more than one-half of all the younger doctors are women. In all the offices women swarm not only as stenographers but also as translators, confidential secretaries and responsible executive assistants.

Not a few institutions and establishments in the U. S. S. R. are under women directors or managers, often having under them many hundreds of men as well as women. Thus the present director of the vast Park of Culture and Rest at Moscow, which has 3,000 men and women employed in its varied establishments, is a woman. Women are found elected in nearly all the Soviets, to the number, in the aggregate, of certainly hundreds of thousands. There are, here and there, women Commissars (Ministers of State) in one or other of the constituent republics; they are to be found in nearly all the Ministers' collegiums; and there are always women at the head of some of the government departments. Mme. Kollontai, after filling other important offices, was for years the Minister representing the Soviet State successively at Mexico City and Oslo, and is now Minister Plenipotentiary at Stockholm.

It is universally taken for granted that, so far as pay is concerned, not only is there no distinction of sex but also no inquiry as to whether a woman is or is not married or the mother of children. There is, accordingly, in Soviet Russia no such discouragement of matrimony as exists in Great Britain and some other countries, where the hundreds of thousands of women who are school teachers, civil servants and municipal employes are, in effect, forbidden to marry, under penalty of instantly losing their employment.

All this concerns, however, in the main, the women of the rapidly growing cities and other urban aggregations all over the U. S. S. R., together with such of the vocations, like teaching, doctoring and administration, as have to be exercised in town and country alike. The great majority of the women of Soviet Russia, as well as of the men, are connected with agriculture (together with hunting and fishing) or essentially with rural pursuits. What has happened to the wives and daughters in the 25,000,000 families of individual peasants, fishers and hunters? To them the revolution has brought the same legal and constitutional emancipation as to the women in industry and the professions. Even in the extensive areas in which Islam prevailed, the women have been set free, and many millions have abandoned the veil and are themselves learning to read and write, while rejoicing in being able to send their children, girls as well as boys, to the local school, and in an increasing number of cases to the technical college or the university.

The Soviet Government, in fact, is undoubtedly bringing to the country dwellers, year by year, a steadily increasing measure of the opportunities in education, medical attendance and social insurance now enjoyed by the cities, although in all these advantages the country necessarily lags behind the town. Thus, while in the cities there are varied educational opportunities for all the girls as well as for all the boys, and nearly every child is at school, this is naturally not yet

the case throughout all the vast area from the Baltic to the Pacific, and from the Persian frontier to the Arctic Ocean, including much that is occupied by primitive tribes or nomads. A steady stream of additional doctors, largely women, is, year by year, sent into the villages; while the number of maternity and general hospitals, large or small, accessible to at least a proportion of the villages, increases annually.

It must, however, be admitted that so long as agriculture is carried on by tiny peasant holdings of land, often dispersed in strips as in the England of the Middle Ages, there can be little improvement in the home environment or social position of the wives, daughters and widows. Thus there has so far been comparatively little alteration, except in legal status, in the beginnings of sanitation and in a little better provision of medical attendance and schooling, among the 30,000,000 or 40,000,000 of population who are still in that position. But these are now the backward areas.

The greatest change in the social circumstances of the peasant women began only five or six years ago with the concerted movement for the substitution of the collective farm for the individual small holding. This movement is still in progress, and reaches different heights in different places, both the number of collective farms and the degree of their collective organization showing a steady annual increase. Down to 1932 about 18,000,000 peasant holdings, with about 70,000,000 of population, had been more or less merged in about 226,000 collective farms, in some districts occupying the whole of the agricultural land. We need not consider here the vicissitudes of the movement, or the mistakes and failures that accompanied its progress, often, it is to be feared, with great cruelty to the recalcitrant kulaks (the relatively wealthy individual peasants). Nor can we critically scrutinize the measure of economic advantage, in the way of mechanization and increased production which has, in varying degree, already resulted from the change. The very low level of efficiency, alike among the workers and in the management, plainly brings down the produce to terribly poor rations wherever and whenever the weather is unfavorable. Here we can deal only with its effect on the position of the women and children.

In a collective farm it is usual for the peasants to retain their own individual dwellings (or to erect new ones), each with its own garden ground, its own cow, and its own pigs and poultry. Only in a tiny proportion of cases does the collective farm take the form of a commune in which all the production is carried on in common and the whole proceeds are shared. Usually it is only the grain that is sown and harvested in common, the proceeds being divided between the government which has supplied the tractors (and often the seed and fertilizer), on the one hand, and the cooperating workers, male and female, each in proportion to the days or hours of labor actually contributed, on the other hand.

The collectivization does not usually stop at this point. The open meeting of adult residents, in conjunction with its elected committee, by which every collective farm is governed, presently begins to make such improvements as a modest grain store or a primitive silo, an improved dairy on modern lines, a new school building or a village hall, and presently a clubhouse, with its library, its dance floor and its cinema. Later there may be a crèche where the children can be safely left when the mother goes to work in the dairy or in the fields, a common kitchen and dining room in which such as choose may take their meals or purchase cooked food, and even a few bedrooms at a low rent for single men or widowers. Naturally, all this takes time, and the farms

differ as much in the rate at which the collective amenities expand as in the order in which they are adopted. What delays progress is the sly skulking and neglect of work manifested by many of the sullen peasants, together with the inefficiency of the management, which naturally has to be overcome, very largely by painful "trial and error."

But almost from the start there begins, for the women, a social revolution. Life as lived in the old cluster of timber-framed mud-huts that used to be the peasant village and labor as spent in solitude on the scattered strips of each peasant's holding become alike transformed. No one can know by personal inspection what is happening on as many as 226,000 collective farms. But a significant confidential report was lately made, not by any transient visitor but by a well-qualified informant who had seen the farms repeatedly in many different provinces, to the effect that, whatever the degree of efficiency attained, while the old man peasant had only unwillingly come into the new organization and was still sullen about it, his wife and also his children almost invariably rejoiced in the change.

For the first time in their lives they draw, by way of advance, a regular monthly sum of money for their individual spendings. Instead of working "all the hours that God made," as only peasants can work, they have now an eight-hour day (even the cows are milked three times in the twenty-four hours, and seem to prefer it so). Instead of the loneliness of isolated labor in the field they have, very generally, the pleasure of working in company. Instead of the dark, silent, muddy village in the evening, they have now, in greater or smaller degree, music and dancing, the radio, the cinema, the gramophone, sometimes a growing collection of books, and even occasional lectures. Even if the village cannot easily visit the city, the world is brought to the village. The resulting emancipation of the wife and mother, as well as of the children, cannot easily be estimated. This is what has been happening during the past seven years, in varying degrees and at very different grades of efficiency of collective administration, to two-thirds of all the village population of Soviet Russia.

Let us now consider the changes affecting the children and the adolescents who, since not far short of one-half of the entire population of the U. S. S. R. is under 18 years of age, must number some 70,000,000. The biggest change since 1914 is that, instead of only one-third of the children (and these largely of the middle and upper classes) attending any sort of school for any period whatsoever, at least four-fifths of all of the children under 14 are now going through a greatly improved and considerably extended education curriculum. For every such child elementary schooling lasts at least to its fourteenth year, and in 1932 this school population numbered 21,900,000, half of them girls. This is an astonishing total—about three times the number in 1914, and one in eight of the whole population, being nearly as high a percentage as in Great Britain, and not so very far short of that in the United States.

An ever-increasing proportion of girls as well as boys go on to organized technical schools of secondary grades, nearly all of which are deliberately specialized in training for a particular set of cognate occupations. Beyond this stand, on the one hand, the array of factory schools where the young industrial recruit is, for months, actually taught the operating of the various machines, before he can be trusted with production, and on the other, a bewildering number (something like 1,000 in the U. S. S. R.) of technical colleges—these mostly remarkably well equipped—and both the old and the new universities, admission to which is facilitated not only by an effective preference

for the sons and daughters of proletarian parents but also by substantial maintenance scholarships.

In addition, something like 10,000,000, namely, all the young people between 8 and 25 who choose to join, are organized apart from schooling or employment in the threefold voluntary companionship of Octobrists (8 to 10), Pioneers (10 to 17) and Comsomols (17 to 25) in what competent observers describe as apparently the most promising course of mass training in "civics" that the world can show, in preparation, so far as concerns those of them who manifest outstanding character, for eventual admission at 25 to formal candidature for membership of the carefully chosen, highly exclusive and strictly disciplined Communist party.

This stupendous planning of the training of the children and youth of the entire Soviet State is, we may well believe, only imperfectly in operation. Like everything in Soviet Russia, the conception is superior to the execution. There is a great shortage of qualified teachers of every kind and grade. Many of the schools are still in unsuitable or extemporized premises. Accommodation is often insufficient, and occasionally the school works in two shifts. The quality of the instruction in the higher schools and colleges varies greatly, and matters are not improved by the recent expedient of shortening the term of training in order to turn out a larger number of half-trained engineers, doctors, teachers or what-not to meet the nation's most pressing needs. In all these respects, however, there is, every year, definite improvement. The U. S. S. R. is probably the only country in the wide world that during the past three years has been continuously increasing the public expenditure on education.

But more important than the plan for the education of the Soviet youth is the new spirit in which the present generation is growing up. To the parents, in every form of propaganda, the main insistence is on respect for the emerging personality of the child and the utmost possible development of his or her individuality, having always in mind that the child is the future citizen and producer, whose individual capacity must be raised to the utmost. In the home, as in the school, there must be only the most sparing use of mere prohibitions. The child should always be induced to choose the more excellent way. To strike a child is, by Soviet law, a criminal offense. Parents are taught that punishment of any kind is felt by the child as an insult, and should as far as possible be avoided. Self-government must be aimed at in home and school, even to the discomfort of the elders, and even if there has to be some discreet "weighting of the alternatives" by parent or teacher in order to steer the choice.

To the child, even from tender years, in infancy as in adolescence, the incessant lesson is its obligation to serve, according to its powers, successively in the household, in the school, in the factory and in the State. To this end the children's needs are ceaselessly attended to. So far as government administration can insure it in so vast a country, whoever else goes short the child always has a full ration of milk, of clothing and of schooling, together with hospital and other medical attendance. Making every allowance for the imperfection of vital statistics, all the evidence points to a great and continuous decrease in the infantile and child death rates.

There are toys and games in every institution and on sale within reach of every parent, with ample provision for play and recreation out of doors as well as indoors. But the toys are as deliberately planned as the curriculum or the books—no tin soldiers and few dolls, but abundance of bricks for building, miniature tools for actual use, and working models of locomo-

tives, airplanes and automobiles, through which it is intended and hoped that the whole population may in time acquire "machine sense." The visitor may see, as the slogan on the gay poster decorating an infant crèche: "Games are not mere play, but preparation for creative labor." When the elder children go into camp in the Summer they are shown that it is immense fun not to "play at Indians," but to help the peasants in their agricultural work; one party of twenty was proud to be told that they were ranked, in the aggregate, as four grown men. The Pioneers find their joy largely in the voluntary "social work" that they undertake in groups, helping the younger or more backward children in their lessons, "liquidating illiteracy" among the adults of their neighborhood, clearing away accumulations of dirt or débris, forming "shock brigades" to reinforce the workers where production is falling behind the plan or when some special task has to be got through with a minimum of delay.

And these children stick at nothing! The Moscow Pioneers took it into their heads the year before last to wait upon many of the directors of the theatres and cinemas in order to give their own views upon the current productions, and to expostulate on their shortcomings and defects. In a small urban district some 200 miles from Leningrad the Pioneers undertook to "liquidate" the excessive consumption of vodka that prevailed. They got put up in every workshop the following appeal on posters manufactured by themselves: "We, your children, call on you to give up drinking, to help us to shut drink shops and to use them as cultural institutions, pioneer clubs, reading rooms, &c. * * * The children whose parents drink are always backward at school. * * * Remember that every bottle you drink would buy a textbook or exercise book for your child. * * * Respond to our call and give us the chance of being well-developed, healthy and cultured human beings. We must have healthier home surroundings. (Signed) Your Children, the Pioneers of [the district.]" The school band then led a gayly decorated procession of children round the workers' quarters. They booed the men as they came out. A public meeting was held in which the children took the leading part. As an immediate result hundreds of workmen are reported to have promised to give up vodka.

This emancipation of children and adolescents, together with the constant encouragement of their utmost participation in social work of every kind, makes of course for a "priggishness" among the young and an attitude of criticism of their lax and slovenly elders which is not altogether pleasing to the bulk of their fellow-citizens of mature age. Thus the new cult of hygienic living among the Pioneers may be excellent, but their irritating habit of "opening windows in other people's houses" is frequently complained of by elderly relatives. But as an instrument of lifting the people of Russia out of the dirt, disease, illiteracy, thieving and brutishness of pre-revolutionary days the self-governing democracy of Communist youth appears to be extraordinarily well devised.

There arises the interesting question: "What is the sexual morality that is being evolved among the 5,000,000 or 6,000,000 Pioneers and Comsomols?" For this widespread organization of the Soviet youth involves intimate social intercourse between boys and girls. They are constantly together. They meet continually, not only in school or college but also in the hierarchy of meetings, committees, representative conferences and executives that constitute the League of Communist Youth. They associate in sports and games, in "social inspections" and "shock brigades" and in all sorts of voluntary social work. Hygienic self-control seems to be the dominant note, together with full responsibility for any offspring, a re-

sponsibility enforced by the strictly administered law as to parental maintenance of children by father and mother alike, according to their economic capacity. Subject to this emphasis on personal hygiene and parental responsibility, there is undoubtedly considerable freedom in sex relationships according to choice, without any sense of sin, but with the constant reminder that efficiency in study or production must not be impaired. You must not waste time or strength on sex. To do so is like indulgence in betting and gambling, alcoholic drink and even the smoking of cigarettes—"bad form" among the Comsomols.

Now these great and far-reaching changes among the women, children and adolescents of Soviet Russia, paralleled, of course, by no less important changes among the men, must inevitably have caused changes of like importance in the institution of the family. These changes require analysis. We may note, to begin with, that there is no sign of any decay of the family group which mankind has derived from its vertebrate ancestors, and which doubtless owes its great survival value to the advantage to the offspring of maternal devotion and prolonged personal care. Not even the most hostile critic reports any deliberate abandonment of children by their parents. Mother-love seems to be the same in Soviet Russia as elsewhere, and Soviet fathers appear to be just as much interested in their children as British or American. The children form just as much a part of the family circle as with the American or British wage-earning class. The crèche, the school and the college take the young people out of the home just about as much as the same institutions, within comparable income grades and similar household resources, do elsewhere. Whether children and adolescents are less obedient to their parents or more than contemporary British or Americans, it seems impossible to compute. The answer to any such criticism is that the young people in all countries in the twentieth century are much less under their parents' thumbs, perhaps even less under their parents' influence, than was the case in the nineteenth century. There seems available no specific evidence that this particular emancipation has gone further in one country than in another.

What the foreign observer of Soviet intercourse among relatives chiefly notices is a great deal more frankness of speech and honest simplicity of judgment than among the more sophisticated and—to put it bluntly—more hypocritical middle-class families of the Western world. There is, perhaps, less cant. The child who is definitely taught to regard drunkenness as a degrading habit can hardly help applying the lesson to its own father equally with anybody else's father. The Pioneer is definitely taught that he has the duty of "liquidating illiteracy" in his own as in other people's families. The rebellion against dirt and unhygienic living has to be relentlessly carried on in all households. The Russian youth, in fact, is told that he ought to be just as much ashamed of bad behavior —meaning anti-social behavior—in those related to him as in himself. In short, the Pioneer and the Comsomol have to be at once persistent crusaders and active assistants in the nation's struggle toward better homes and better habits, as well as toward increased production. Whether in the long run this makes for better families or better tempered ones, or for worse, may be a matter on which opinions differ!

But what many critics have at least subconsciously in mind when they ask about the family in Soviet Russia is what they would regard as sexual morality in the parents. How do Russian husbands and wives compare in fidelity with those of other countries? There is, unfortunately, no available

yardstick for this comparative measurement. Moreover, comparison should be made class by class. If the inquirer belongs to the upper or middle classes of Europe or America, he must be reminded that the corresponding grades of the Russian population no longer exist in the U. S. S. R. The comparison can only be made between the peasant or artisan of the Western world and the Soviet wage earner in town or country.

It will be admitted by every visitor that to outward appearance Moscow and the other great cities of Soviet Russia are not only far more "decent" than they were under the Czar but also more than nearly all cities elsewhere. Dance halls, night clubs and cabarets have been almost universally suppressed. The Soviet stage, like the Soviet films, is concerned with other interests than sex and stands at the opposite pole from Hollywood. The supersession of profit-making publishing by that of the public authorities has, even more than the rigorous censorship, swept away all pornographic literature. Even the dancing of the Western world, with its promiscuous embracing, is forbidden as unhealthy eroticism, except where it is tolerated for foreigners only at one or another of the expensive hotels. There is, it is noticed, far less solicitation in the Moscow streets (and what there is, almost entirely foreign on both sides) than in any other European city of equal magnitude. All the evidence goes to show that among the Russians prostitution in the ordinary sense of the word has practically disappeared.

On the other hand, there is undoubtedly in Soviet Russia a greater freedom than in many other countries in sexual intercourse, based on mutual attraction and friendship, among the unmarried of both sexes and all ages. Such unions, which are utterly without sense of sin, are condemned neither by law nor by public opinion, and they often turn into successful permanent marriages. Divorce is at the will of either party, but there is a strict enforcement of the legal responsibility of both parents for the maintenance of any offspring, according to their respective economic capacities. Anything like promiscuity, with or without marriage, is now seriously reprobated by opinion. "I do not want to inquire into your private affairs," Stalin is reported to have said to an important party member who was leading a scandalous life, "but if there is any more nonsense about women you will go to a place where there are no women."

We may perhaps sum up by saying that the great increase in personal freedom brought about by the revolution, together with the almost universal falling away of religious and conventional inhibitions, undoubtedly led, for the first decade or so, to greater instability of family life and to looser relations between the sexes based on mutual friendship. At the same time organized commercialized vice, in all the forms common in great cities of the West, rapidly diminished, even, as some competent observers declare, to next to nothing. During the past few years public opinion seems to have been moving strongly in favor of—to use a native expression—"stabilization," and any tendency to prompt, reckless or repeated divorce meets with condemnation. No general or centralized statistics permit of comparison between the numbers of divorces and those of marriages. Such figures as have been published for particular cities and years appear to show totals (and local variations) in Soviet Russia not markedly unlike those of parts of Scandinavia and different States of the United States.

The Promise of Progressive Education

By CLAUDE MOORE FUESS

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WHAT is today referred to as progressive education was in its origin a movement of natural reaction against the pedantry, the formalism and the cruelty long prevalent in some schools, both in England and the United States. Dr. Samuel Johnson studied Latin about 1725 as a boy under Mr. Hunter, master of Lichfield School. In recalling him, the Great Lexicographer wrote:

"He used to beat us unmercifully, and he did not distinguish between ignorance and negligence, for he would beat a boy equally for not knowing a thing, as for neglecting to know it. He would ask a boy a question, and if he did not answer him, he would beat him, without considering whether he had an opportunity of knowing how to answer it. For instance, he would call up a boy and ask him Latin for a candlestick, which the boy could not expect to be asked. Now, sir, if a boy could answer every question, there would be no need of a master to teach him."

Such barbarous practices as these are now virtually obsolete. But schools still exist which attempt to pound facts into a youngster's head, which regard memory as more important than reason, and which permit the teacher to be a legalized tyrant, ruling with an iron and ungloved hand. Against such a system a protest was bound, sooner or later, to be raised.

The conventional theory upheld by the Ichabod Cranes and Dr. Keates of bygone days was an outgrowth of Calvinism and declared explicitly, "You must enjoy this book; if you don't, I'll make you." As a boy in a Central New York high school, I was forced in preparation for college to plod through Johnson's *Rasselas,* perhaps the heaviest so-called "classic" in the language. When, in rebellion, I craved excitement and color, I was offered Emerson's *Compensation,* an essay as well fitted to the average boy of 15 as a full dress suit would be to a native of Borneo. Can I be blamed for turning in secret to "dime novels" featuring the fascinating Nick Carter and thus acquiring a taste for detective stories which has been the solace of many delightful hours? I read these sanguine and spicy yarns because I liked them. When the importance of interest as a motive for pursuing knowledge was officially recognized, a new philosophy of education inevitably developed.

The progressive education movement in operation is not very old. John Dewey's *My Pedagogic Creed* was first published in 1897; Abraham Flexner's article, "The Modern School," appeared in the *Review of Reviews* for April, 1916; the Lincoln School, in many respects the earliest organized revolt, was established by a subsidy from the General Education Board in 1917. Supported by such eminent authorities as President Eliot of Harvard, the agitation became nationwide. Dewey, thirty-five years ago a voice crying in the wilderness, has now become the apostle of a cult. In 1933 such institutions as the Beaver

School in Chestnut Hill, Mass.; the Buxton Country Day School in Short Hills, N. J.; the Tower Hill School in Wilmington, Del.; the Park School in Baltimore, the Lincoln School in New York and many others are avowedly progressive; and many public schools, notably those in Bronxville, in Garden City and in Manhasset, are run on progressive principles. The Progressive Education Association, founded after the World War, has more than 7,000 members, maintains headquarters in Washington and has published for almost ten years a magazine called *Progressive Education.* The literature on the subject is both extensive and provocative. Because of it, teachers have been led to re-examine their own purposes and to take their professional bearings. The educational waters so entirely stagnant in 1890 are now stirred to their depths, and it is not strange that they sometimes seem muddied.

Various motives led me some months ago to try to find out what progressive education really means and what it is doing. Coming as I do from a school which is old, and therefore generally thought to be conservative, I have been looked upon with faint suspicion. But I have attempted to keep my mind open and preserve the attitude of a learner, not a controversialist. I have read what John Dewey, Bertrand Russell, Gertrude Hartman, Eugene R. Smith, Hughes Mearns, Edward Yeomans, Everett Dean Martin, William H. Kilpatrick, Alexander Meiklejohn, L. V. Stott and many others have had to say upon the topic. And I am prepared now to summarize my conclusions.

No one can doubt, I think, that progressive education, regarded merely as critical of certain existing conditions, has been a healthful and valuable crusade. Most people have asked themselves why the process of learning should be looked upon by so many boys and girls as inherently disagreeable. Intellectual curiosity is presumably a racial inheritance. Babies are born with an insatiable longing for information. Little children are incessantly asking, "Why?" "How?" or "What for?" Boys will gaze reverently on a grown-up who shows them how to fly a kite or to pitch a baseball. And then they are sent to be educated, and we have Shakespeare's

> Whining schoolboy with his satchel
> And shining morning face, creeping like snail
> Unwillingly to school.

Not only has he usually gone unwillingly. That is bad enough. But he has often felt that he was getting nothing out of the experience. Teacher and textbook have become not only wearisome but obnoxious, an ordeal ruthlessly prescribed by destiny as part of the transition from childhood to maturity. Nearly everybody in the teaching profession, except a few besotted reactionaries, has admitted that our procedure is in need of revision.

It is not very difficult to complain and object and criticize. It is less easy to formulate a constructive policy, especially one which will be unanimously accepted. Progressive education evidently relies on new methods; but it is hard for an outsider to discover a definition, or definitions, in which progressive educators are willing to concur. Professor Dewey's *My Pedagogic Creed,* accepted by his followers as the authentic gospel, is a document of extraordinary vagueness, rich in phrases whose sonorousness does not explain their obscurity. Of what practical value is it to an instructor in the Utica Free Academy to be told by Mr. Dewey: "I believe that education must be conceived as a continuing reconstruction of experience; that the process and the goal of education are one and the same thing," or to read this puzzling sentence: "I believe that the subject-matter of the school curriculum should mark a gradual differentiation out of the primitive unconscious unity of social life?" This sounds well, but to most readers it will mean nothing.

The teacher wants to know what to do. Professor Dewey, stimulating though he is, responds with nebulous ideas, out of which only the initiate can extract a workable scheme. I have found that many articles on progressive education tell me quite clearly what is wrong. But I know myself what is wrong. What they do not always do is to outline a policy or a method which will put good permanently in the place of evil.

The more active proponents of progressive education, indeed, are careful to point out, as one of them wrote to me, that its details are continually changing, some objectives being reached and new objectives being undertaken. In other words, it must be viewed as an attempt "to keep educators aware of the progress made in educational theory, and to keep the practice of education as nearly as possible in accord with the development of this theory." The *Journal of Education,* in the Autumn of 1932, collated answers from seventeen "experts in the field of education" to the blunt question, "What is a progressive school?" To many of the replies no sensible teacher anywhere could possibly take exception. Dean William F. Russell of Teachers College made this statement: "A progressive school is one that has respect for the traditions of the past sufficient to use them as a guide to future practice, but also has insight enough into the conditions of the present and the probable changes of the future so as to be willing and glad to institute changes." According to this definition, Groton, Mercersburg and Exeter would unquestionably have to be rated as progressive schools.

Some of the experts responded by presenting their own conception of "traditional schools," thus setting up an image of straw which they then proceeded to tear apart. Superintendent Samuel E. Burr of Glendale, Ohio, for example, said: "Traditional schools set up group standards which are absolutely impersonal and which are quite rigid," a picture which is hardly accurate as describing any "traditional school" with which I am familiar. Several of the answers, furthermore, particularly disclaimed any kinship with radicals. Thus President J. Asbury Pitman of the Salem Teachers' College in Massachusetts announced: "The doctrine of the ultra-progressives that the child should always be allowed and encouraged to do what he pleases, when he pleases, and as he pleases is absolutely fallacious."

On the whole, the fairest exposition of progressive aims was that given by Dean Henry W. Holmes of Harvard, who said briefly that a progressive school "emphasizes freedom of movement for children, as natural and simple a life within the school as can be attained, and a substitution as far as possible of interest, enjoyment in work, and a sense of the real value of study for all ulterior motives and rewards and punishments." The only trouble with this is that most of my friends in the "traditional schools" would be willing to accept its essential principles as representing in a considerable degree their own ideals.

But, in spite of this lack of unanimity, progressive education has actually accomplished much when put into practice. I should like now to suggest what I have discovered, not only from visiting the schools themselves, but also by talking with their pupils and with the parents of their pupils. One finds, of course, that the extremes are very wide apart. Some progressive schools seem completely unstabilized and unsystematic; others are relatively cautious. Through them all, however, run certain theories which may be taken as typical.

First of all, the progressive school has been devoting an exceptional amount of time to studying, analvzing and prescribing for its individual students. One of the worst tendencies of old-style education was its dealing with a group of children as if they

were units in an army platoon to be handled in the same way, without attention to individual differences or abnormalities. The best progressive schools have accepted the educational philosophy of John Dewey, who, if I understand him correctly, holds that every person, young or old, is different from every other person, not only in fingerprints but in potentialities, fears and ambitions. Accordingly they confront each student with various psychological and aptitude tests through which they seriously attempt to do for his mind what a physician does for his body—to diagnose his weaknesses and correct them. These schools do far more than mark him 77 in one subject and 54 in another; they try to ascertain what his native ability is and to hold him up to the standard set by his own talent. Later, if he fails, he is not summarily discarded. An effort is made to detect the cause of his failure. His eyes may be strained; he may be disturbed by unhappy home conditions; he may be day-dreaming of some girl. In any case the schools feel a definite responsibility for each pupil. I have seen in the office files of such a school information of incalculable importance to its teachers.

In the second place, the school then adjusts itself to the requirements of the student. Dr. Eugene R. Smith has declared that a school "should fit the needs and possibilities of its pupils instead of confining its pupils by preconceived notions." Dr. J. Asbury Pitman states that a child's interests and activities "should always be regarded and used as means for his education." Carried to an extreme, this results in every possible concession to the wishes, even the whims, of a pupil. The saner progressive schools, however, insist on the development of the social instincts and thus arrange to have all but the very peculiar children work together. This adjustment of the school to its individual pupils means that each teacher must have a sympathetic understanding of those under his or her instruction, and must be endowed with exceptional patience, kindness and tolerance. Any routine process of question and answer, based upon a textbook perused and memorized by the pupils outside the classroom, must be abandoned when each boy or girl has to be treated in a different way.

It follows also that the curriculum must be flexible, not fixed and "cut-and-dried." In the words of Dr. Jesse H. Newlon of the Lincoln School, "instruction ceases to be sequential." Few genuine progressive schools ever print in their catalogues a formal course of study for any given class in any given year. The procedure varies from month to month, depending on the quality and progress of the students.

Much stress is laid, especially in dealing with pre-adolescents, on the "project method," which works exceedingly well with younger children. It was of this that Dr. Henry Suzzalo was thinking when he wrote: "All progressive schools tend to make more than ordinary provision for self-expression, group activity, emotional outlet, physical activity, manual and particularly artistic self-expression, self-directed thinking and highly enriched and varied experience." At this period, the students visit docks and railroad stations and public markets, make models of buildings, study exports and imports and even trace the course of a crop, like cotton, from the seedling to the consumer. No contribution made by progressive schools has been more significant than its apparently successful attempt to provide an interesting and pleasant as well as a profitable experience for small boys and girls.

As these pupils grow older the project method is possibly less fruitful. In the Lincoln School, for example, candidates for college are put through a course of preparation not markedly dissimilar from that which they would have received at any of the "traditional schools" which aim to get their

students ready for Harvard and Yale. Progressive teachers assert that this is done because of the practical necessity of enabling their students to pass the examinations set by the College Entrance Examination Board; but the fact remains that drill leading toward the passing of the entrance examinations for college is not ignored in progressive schools. On the whole, however, the tendency in progressive education is unmistakably to get away from specific subjects, conceived of as water-tight compartments, and to link together all the elements of culture.

This has been accompanied by distinct improvements in the manner of instruction. Some of what Dr. Henry W. Holmes calls "the external formalities and mechanisms of education" have been abandoned. The progressive schools have made enormous strides in school architecture and have paid great attention to good light and fresh air for the students. In progressive schools seats are no longer fastened to the floor in rows, physical restraints are reduced to a minimum, and discipline by imposition of the teacher's will is regarded as unsound practice. Emphasis is laid "on social and creative activities intended to provide natural growth for the child." In many such schools no regular examinations are administered and "cramming" is discouraged; indeed, the only marks given are based on industry and reliability, not on accomplishment.

Herbert Spencer once wrote very wisely: "As long as the acquisition of knowledge is rendered habitually repugnant, so long will there be a prevailing tendency to discontinue it when free from the coercion of parents and masters." The progressive teacher, remembering this dictum, is not disturbed because the process of education seems to his students like play; indeed, he frequently resorts to games as indispensable to his program. To such a teacher the accumulation of facts is far less important than the development of habits, appreciations and abilities and the inculcation in the hearts of his students that truth, beauty and wisdom are ever worth pursuing, at 80 as well as at 18. He is persuaded that boys and girls should learn, not "be taught," and that learning should be active rather than passive. Accordingly, he cares nothing for uniformity, but stresses originality and tries to turn his pupils into self-sufficient leaders, not into mere echoes of himself. In most progressive schools the educational pill is sweetened.

Progressive schools disclaim vehemently any utilitarian purpose. They do, however, as Dr. John R. Clark of the Lincoln School states, believe that all education should be thought of in terms of our Western culture and should be kept in close touch with life. Such institutions as the Beaver School have accomplished wonders in arousing in their pupils not only an appreciation of the fine arts, such as painting, architecture, sculpture and music, but have also evoked latent creative power.

What progressive education has done is to unchain teaching from certain fetters imposed upon it by inheritance from the past. Edward Yeoman's book, *Shackled Youth* (1928), a plea for a saner theory and practice in education, expressed in clear-cut phrases the ideals of the progressives. They have tried to secure freedom by casting aside edicts and penalties and substituting a new theory. They want the initiative in education to come, not from a teacher on a stage behind a desk, but from the boys and girls themselves.

The more enlightened of the progressive leaders insist that in education "the spirit is more important than the form." They declare that the progressive movement has accomplished most in slowly transforming our public schools, in which many of its basic ideas have already been accepted as axiomatic. Beyond a doubt the radicalism which once seemed so ominous is no longer terrifying. Its history has been like that of the once dreaded

Populists of the 1890s, whose platform has now been accepted in many of its details by each of the more conservative parties. The progressive movement would have been salutary if it had done nothing more than compel teachers to cogitate sound reasons for the faith that was in them. But it has done more than this. It has, by recognizing the difference in the aptitudes and abilities of students, by substituting interest for compulsion as a motive force in education, and by freeing schools from the worship of the past, done much that is constructive.

In actual operation, if we may trust the observation of pupils and their parents, progressive schools have shown weaknesses which cannot be ignored. One intelligent father, who has had children in a number of progressive and experimental schools, writes: "To me, many of these progressive schools give entirely too much freedom without any guidance and without establishing in the child a sense of responsibility for his own behavior, and without developing in him the determination to do his best work and to hold himself to a high standard of performance of duties." Still another critic feels that the aim in many of the progressive schools is chiefly to amuse the pupils and that the yielding to their transitory moods allows them to form bad habits. Several parents with whom I have talked have said that their children found it easy to "loaf" in a progressive school, and I have extracted a similar confession from youthful friends of mine.

My own conclusion, arrived at after a careful examination of the testimony, is that a progressive school is always in some danger of succumbing to sentimentalism and coddling its pupils, often without being fully aware of what it is doing. Left to their own inclinations they often choose the easiest path and thus do not have to develop a fighting spirit. Life itself is full of rather disagreeable daily duties, for the struggle with which it should be the school's business to get its students ready. One of the perils of the progressive movement is that of dilettantism, the desultory pursuit of knowledge. I have noticed in progressive schools a tendency among the children to dally with one form of self-expression and then with another, without finishing what they start. They begin in the morning to model in clay and then, in a moment of boredom, turn to water-colors.

I have a feeling that everybody, no matter how young or how old, is the better in character for being obliged once in a while to carry through a task which he or she does not like, may even loathe. The old type of school with all its ruthlessness often compelled its students to grit their teeth, set their jaws, and put their brains resolutely to work. Although this was painful at the time for the victims it prepared them for similar situations in their later careers at college or in the world of affairs. The progressive schools which have been operating longest have decided that discipline must under some circumstances be enforced and that the hour arrives when certain specific subject-matter must be learned, whether the children enjoy it or not. In one of the best progressive schools in the United States I found the pupils in a tenth-grade English class diagraming sentences on the blackboard in the good old-fashioned way. This was obviously not a project selected by the members. They had to do it and the instructor's will was driving them on. This proves nothing except that, even in progressive schools, common sense has not been abandoned.

A second justifiable criticism is that progressive education results only too often in what might be called miscellaneous and uncoordinated knowledge. If the curriculum is unorganized, if the student can see no plan of action, he may become confused. Former pupils of progressive schools have explained to me rather apologetically

that they were so much entertained that they did not attempt to correlate what they had learned. Not having acquired the ability to pursue a given task at stated hours over a definite period of time, such boys are sometimes at a disadvantage when confronted with the responsibilities imposed by college. Ultimately, because of innate strength of character or inherited persistence, they usually adjust themselves to college methods and hold their own with graduates of other schools; but I have heard them complain bitterly that they were not properly fortified for confronting conditions under which they had to toil steadily to reach a set goal. One virtue of the old type of school was that it insisted constantly on accuracy, precision, persistence and thoroughness. I am not sure that all progressive schools do this.

The success of any progressive school, like that of any so-called traditional school, depends on the personality of those who teach in it. Beatrice Ensor, a director of the New Education Fellowship, has recently written: "The spirit of the new education is impalpable, though unmistakable. It may be absent from an ostensibly progressive school; it may be found in schools that are hide-bound as to curriculum and lacking in all modern apparatus. The spirit of new education, like that of world-mindedness, is in-dwelling in the mind of the teacher. It is a personal ideal, and is dependent upon a personal contagion if it is to be furthered." But teachers may be very different in their methods. Some good teachers will be very strict; others will be lenient. Some will be impulsive, casual and irregular; others will be cool, orderly and systematic. Yet each may, in his individual manner, be a stimulus and an inspiration. "The great thing about a teacher of youth," Edward Yeomans has said, "is not at all how much he knows of the science of education, the laws of learning, the administration of a school, or of the particular subject which he teaches. The important thing is his personal radiative power as an illuminant along the highways which his pupils have to travel." My own conviction is that in the long run progressive schools will succeed or fail because of the kind of teachers whom they can attract to their classrooms.

The trouble is that, after years of research and experimentation, education still remains a somewhat mysterious process. The new psychology has been helpful, but it has not explained why a teacher's casual unmotivated remark may linger forever in a lad's memory and mean more to him than months of intensive drill, or why he may learn more by accident than he has learned through a day of organized classroom study. The best that parents can do at present is to seek out teachers, wherever they are, in whatever type of school, who burn with that divine spark by which their pupils are lighted and set aglow.

It is certain that, with pre-adolescent boys and girls, progressive education has justified itself. It has made them aware that school may be more of a pleasure than a punishment. It has eliminated the monotonous recital of case-endings and of mathematical tables. It has banished the hard, uncomfortable benches on which pupils used to sit bolt upright, under penalty of a reprimand. It has made them regard the widening of knowledge as a process to which they may look forward for a lifetime and has permitted them to appreciate the importance of beauty in nature and in art. To the influence of progressive educators our grammar schools have been succumbing gladly, and the country is everywhere the better for it.

As to its beneficial effect on boys and girls beyond the age of 14, conservative educators are rather skeptical, but they are glad that its principles are being given such a thorough trial in such competent hands. It is, of course, easy for a school which is

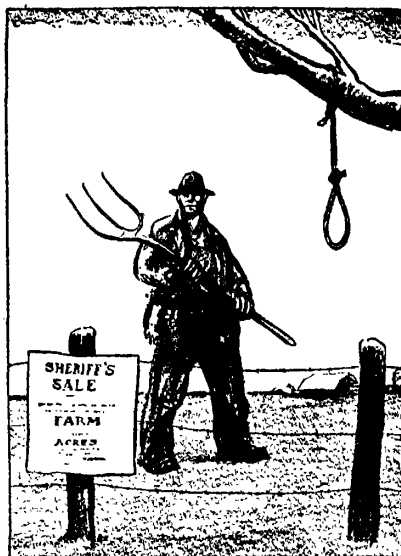
frankly experimental to devote itself to testing hitherto untried theories. If parents are willing to submit their children to the process, as is the case at the Hessian Hills School, they have no reason to complain about the results. On the other hand, a school which has been functioning to the general satisfaction of its patrons for a hundred years or more cannot afford to let itself be blown about by each new gust of pedagogical doctrine. When a school has the testimony of its graduates that it has done well by them, it ought to hesitate before adopting revolutionary methods. It should be added that even the most conservative school will usually modify its policies if it can be demonstrated that there is anything to be gained by doing so. So far, the conservatives maintain, the advanced progressives have not fully proved their case so far as high schools are concerned. Some of the best of the progressive schools have been obliged to abandon accepting boys beyond the adolescent age and to devote themselves entirely to girls. Others have discovered that, in order to enable their graduates to enter reputable colleges, they must fall back temporarily on a plan of hard regular drill and practice in taking examinations. And nearly all of them have retained external discipline in some form as a means of keeping order.

As represented by their ablest leaders, men like Dr. Eugene R. Smith, Dr. Jesse H. Newlon and Dr. John R. Clark, the progressives are able to meet with the so-called conservatives on common ground. Some of the "traditional" schools, like Andover and Exeter, allow their instructors a reasonable degree of freedom, and they may adopt progressive policies if only they yield results. In the last analysis, the actual information which a boy gets at any school is of small importance. The chief point is that he should leave with good habits of work, with a passion for weighing evidence and with an insatiable intellectual curiosity. No system has yet been developed which all teachers can follow with success; nor do I believe that any such system ever will be evolved. Dr. Hughes Mearns, one of the earliest and most influential of progressive leaders, ended his *Creative Youth* with the words, "We must never forget the stubborn fact that confronts us in all our enthusiastic discussion of things educational—the kind of school will always depend upon the kind of teacher in the classroom."

What conclusion are we to reach? Little but good can come from the research and experimentation being conducted at such centres as the Lincoln School, where trained educators are testing and reporting on new ideas. The ideal school of the future will probably be one which will adopt sensible middle ground between the progressives and the traditionalists. One critic says: "If a school could only arrive at some satisfactory recognition of the demands of child initiative, child freedom and personality development on the one hand, and also fit into that desirable setting a proper respect for system and thoroughness, self-control and responsibility for work to be accomplished, the result would be a better school than those which have developed at either extreme."

As a step toward this ideal, it is worth noting that several of the most reputable traditional schools are not unreceptive to progressive doctrines and are ready to profit by them. These fortunate institutions should be thankful that there are other schools, less tied to the past, which can separate what is valuable from what is merely decorative and pronounce a verdict by which the conservatives may profit.

Current History in Cartoons

The great wall of America
—*Chicago Tribune*

"Anybody want to bid?"
—*St. Louis Post-Dispatch*

"And, boy, you'll need 'em!"
—*New York Evening Post*

The hardest part is yet to come
—*Philadelphia Inquirer*

Accused—"And let me tell you, me Lud, I won't accept your verdict if it means giving up the swag"

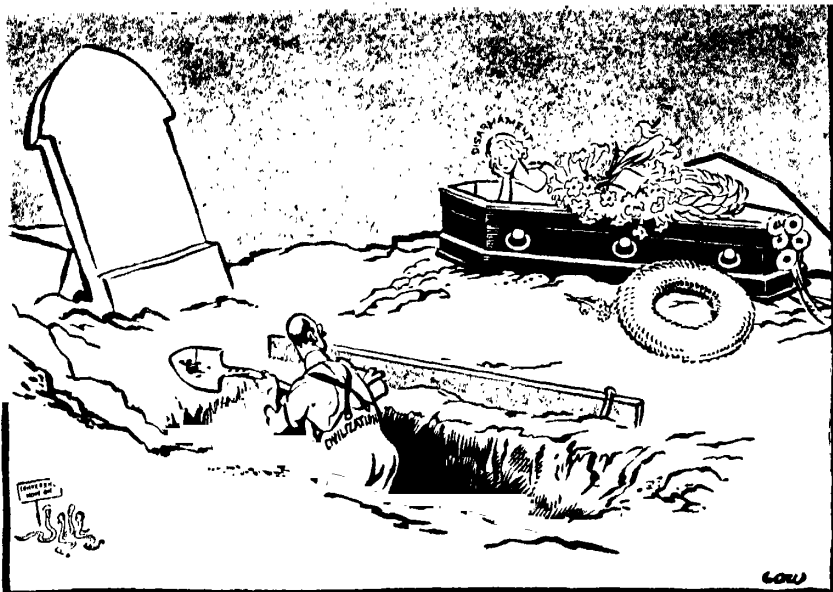
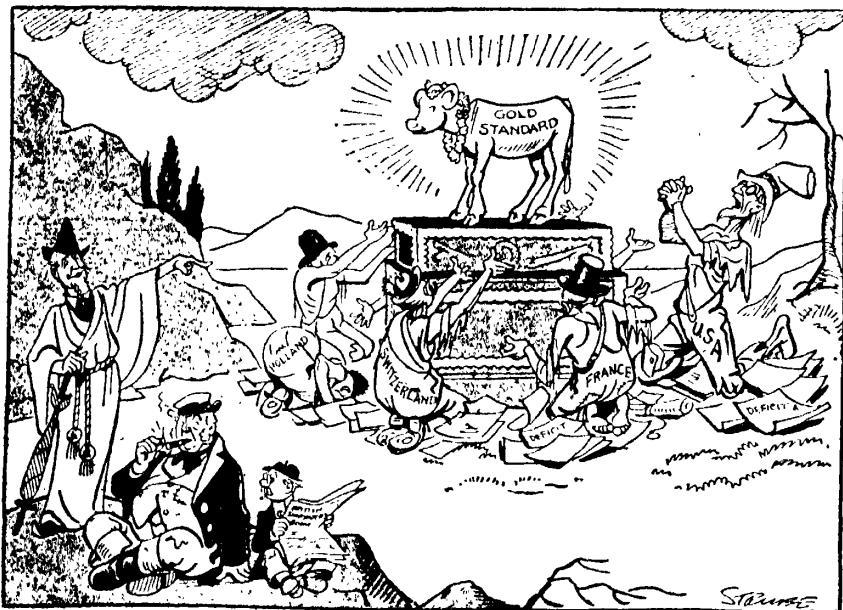
—*Glasgow Evening Times*

Late Pupil—"I don't want any advice from you, see! I've learned all you can teach me"
The Tutor—"Not everything, my child, not everything"

—*Daily Herald* London

Hitler builds his Paradise on earth
—*De Notenkraker,* Amsterdam

"The crisis must be less acute. This is the longest cigar end I have found for months"
—*Der Wahre Jakob,* Berlin

"Really, gentlemen, I'm beginning to feel a little uneasy. We must do something to help the poor woman. Where is our next conference to be held?"
—*Glasgow Bulletin*

"Better make it wide enough to hold yourself, too, big boy"
—*Evening Standard*, London

High Priest Norman—"Come, brethren, for over sixteen months ye have strayed from the fold. Repent ye or verily catastrophe will overwhelm ye!"
John Bull—"Well, nothing's happened so far"
—*Daily Express*, London

A Month's World History

The War-Debt Negotiations

By JAMES THAYER GEROULD
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THE tension between Washington and London over the war debts, and in somewhat lesser degree that between Washington and Paris, diminished considerably during February. On both sides of the Atlantic more moderate counsels have prevailed, for it was realized that a policy of bluster or of categorical negatives was not likely to be fruitful. In the words of the publicist who writes under the name "Augur" in the British press, "common sense obliges Britain to admit that the United States of America, if it sees that it is impossible to obtain the continuation of the debt payments, is entitled to seek compensation for itself in other directions."

American popular opinion is slowly coming to realize that however well founded the debts may be legally, they are on a different basis politically. If the European nations decline to pay, there is nothing, as a matter of fact, that can be done about it. The collection of debts at the cannon's mouth is a process that has, by general consent, been relegated to the limbo of things that "simply are not done." While the theory of foreign exchange is understood only by the experts, many people are beginning to understand that settlements between nations must, in the long run, be made in goods or services, and not in gold. If all the gold in the world now outside the United States should be shipped to us it would pay less than half the foreign debt, and if we had it all, the metal would be worth hardly more than an equal weight of lead. Unless we can induce the foreign nations to part with all their American investments, we must choose between taking the foreigner's goods and getting nothing. The painful realization that either our high tariffs or our position as a creditor country will have to be abandoned must eventually be faced.

Before this article reaches its readers, the formal debt negotiations between the United States and Great Britain will probably be well under way. Sir Ronald Lindsay, the British Ambassador to the United States, on his recent visit to London, took with him reports which doubtless contained a fairly accurate statement, not only of American public opinion, but of the position of the Roosevelt administration upon the method for reaching an agreement. He arrived in London on Feb. 6, and during the next week was in constant contact with the Cabinet in its preparation of the British program. Public utterances regarding its content were naturally guarded, but, in reply to questions in the House of Commons on Feb. 13, Prime Minister MacDonald made it clear that the Cabinet would not follow the lead of Neville Chamberlain, the Chancellor of the Exchequer, who, a few days earlier, expressed the opinion that bargaining over the settlement was impossible. "The object of the discussion," Mr. MacDonald said, "will be to promote

a renewal of world trade and prosperity. While the settlement of the war debts is an essential condition to such a revival, we have always recognized that there are a number of other factors, economic as well as financial, which also will have to be dealt with, and we shall be glad to exchange views with the United States Government on the whole field."

On the same day, in one of the ablest speeches of his career, Mr. Hoover, in discussing the measures necessary for economic recovery, gave emphatic expression to the results of his experience. "We cannot isolate ourselves," he said. "During the past two years the crash of one foreign nation after another under direct and indirect war inheritances has dominated the whole economic life of our country. The time has now come when nations must accept, in self-interest no less than in altruism, the obligations to cooperate in achieving world stability so mankind may again resume the march of progress. Daily it becomes more certain that the next great possible constructive step in remedy of the illimitable human suffering from this depression lies in the international field. It is in that field where the tide of prices can be most surely and quickly turned and the tragic despair of unemployment, agriculture and business transformed to hope and confidence."

While Mr. Hoover still believes that the importance of war debts is being "hugely exaggerated," he nevertheless expressed the opinion that some part of the payments "might be set aside for temporary use" in stabilizing foreign exchange.

Immediately on his return to the United States on Feb. 20, Sir Ronald Lindsay, accompanied by T. K. Bewley, the newly appointed financial adviser at the British Embassy, conferred with President-elect Roosevelt in New York, and later with Secretary Stimson in Washington. Although no announcement of the prospective program has been made, it was generally understood that a discussion of war debts, currency stabilization and tariff barriers would proceed together.

Preliminary arrangements for a similar discussion with representatives of the other debtor governments are well under way. Late in February Ambassador Claudel called on Mr. Roosevelt, and a formal announcement was made of the renewal of the negotiations which were broken off on Dec. 14, when the French Chamber of Deputies voted that the payment due the day following should be "deferred" until the United States agreed to enter a conference for the reconsideration of the debt settlements. Technically France has been in default since Dec. 15, but the bond market has shown no evidence that this has injured French credit. It is possible that the Chamber may consider that the projected conversations come within the meaning of their resolution, and may authorize the deferred payment. Such action would place France on the same footing with Great Britain during the negotiations. It is equally probable, however, that the United States may consider it inexpedient to raise the question of the payment except as one of the issues which must be determined.

However punctilious President Roosevelt may be in maintaining his declared policy of dealing with the debtors separately, he cannot escape from the fact that they have a common interest, and will act in consultation. While final agreements upon the stabilization of currency and similar important issues must be deferred until the World Conference, preliminary understandings such as these will serve a very useful purpose.

THE ECONOMIC CONFERENCE

At the suggestion of the Preparatory Commission of the World Monetary and Economic Conference, a special committee of the International Chamber of Commerce has prepared suggestions for its agenda, which

have been submitted to all the forty-five constituent national organizations. In substance they do not differ materially from the document reported by the Preparatory Commission (See CURRENT HISTORY for March, page 717).

The committee has declared that a fundamental factor in the restoration of confidence which will permit the adoption of measures to restore the economic equilibrium destroyed by the war is a final settlement of the problem of intergovernmental debts. When that is disposed of, it will be possible to deal with the private debts so that there may be neither unjustifiable default nor undue hardship to borrowers. The normal method of adjustment of price levels should, in the committee's belief, be supplemented and controlled by governmental regulation of production. But on the other hand, governmental interference with trade through unduly high tariffs, through prohibition of import quotas, subsidies and foreign exchange control, should be abandoned. Tariff wars should cease, and the schedules maintained should be simple, stable and uniform in application. Discrimination should be avoided and most-favored-nation clauses maintained. Customs unions, which will enlarge the area within which there is relatively complete freedom of trade, are very desirable, but such unions should be free from aggression against neighboring countries or areas, and should welcome the adherence of additional nations to the groups. As rapidly as possible, the gold standard should be restored. This can be done only after the measures already recommended are in effect—when budgets are balanced and currency is stabilized. The Bank for International Settlements should be enlarged, and measures should be taken to secure a better distribution of the world's stock of gold.

Of particular interest to the United States is the paragraph in which "it is urged that creditor countries should modify their economic policy by recognizing that an adequate trade balance, resulting from the movement of goods and services, is an essential feature of their creditor position."

THE DISARMAMENT CONFERENCE

Fighting in the Far East and in South America, the political turmoil in Germany, the recent attempt to smuggle arms into Hungary and the reluctance of the Hoover administration to commit the new Democratic régime have contributed to make fruitless recent disarmament discussions at Geneva. The General Commission resumed its deliberations on Feb. 2, the first anniversary of the opening of the conference. According to agreement, the French plan furnished the basis of the opening discussions. The debate centred on the difficulty of concluding satisfactory agreements within the Continental area, so long as Russia and the United States are associated only with the Pact of Paris, while all the other nations adhere also to the covenant of the League. An extension of the pact by a consultative agreement and the renunciation of neutral rights by the non-member nations are considered to be essential. No agreements of importance are likely to be reached until it is known definitely whether the United States will refuse to allow the sale of munitions and other war supplies to violators of the pact.

The French program, which by no means has unanimous support at home, was criticized by the Polish delegate on the ground that it is too complicated, and that the attitude of Great Britain, Italy and Germany has made it an impossible basis for a general treaty. Germany objects on the ground that the plan makes no provision for procedure in the settlement of conflicts of interest which fall without the domain of international law, the Polish Corridor, for example. There should be, Germany contends, what would amount to a court of

equity, before which could be brought questions involving the revision of treaties. Article XIX of the covenant, which provides merely that "the Assembly may, from time to time, advise the reconsideration of treaties which have become inapplicable," is insufficient. No action can be taken under it which will in any way be binding. The reaffirmation of the covenant, proposed in the French plan, will do no more than to solidify further the European status established by the peace treaties.

Maxim Litvinov, the Soviet delegate, on Feb. 2 suggested a definition of an "aggressor" which was generally regarded as constructive and helpful. It was to the effect that a nation should be considered an aggressor which first declares war, invades by armed force another State without declaring war, bombards another's territory by land, air or sea, introduces land, sea or air forces within another State's frontiers without its permission, or disregards the conditions of such permission when granted, or establishes a naval blockade. He then went on to specify situations which should not be held to justify armed intervention—the existence of "special interests," a desire to exploit the resources of another State, the protection of capital investments, the existence of political disorganization, the repudiation of debts, immigration restrictions and others of a similar nature. M. Litvinov further said that the Soviet Government was ready to join in a consultative pact and in the application of economic sanctions.

The British proposal for a study of the complete abolition of war aviation and air bombing, together with the international control of civil aviation, was authorized on Feb. 16. France desires that such action, if taken, should be accompanied by the establishment of an air force under League control. The United States, Canada and Germany insist on the freedom of civil aviation from control. M. Cot, the brilliant young French delegate, outlined, on Feb. 22, the French plan for internationalization of civil aviation. The major routes would be managed by an international company, organized by the League, while the lesser lines would be controlled by subsidiary companies under the general supervision of the Permament Disarmament Commission.

A curious situation has developed in regard to the French proposal for the standardization of Continental armies on a militia basis. The Germans have long argued that professional armies are both costly and ineffective, a position reaffirmed as recently as July 23, 1932. They seem now to have reversed their stand, for reasons that are not altogether clear. The militia principle, however, was affirmed on Feb. 23, Germany alone voting in opposition. Italy made important reservations regarding war material and the organization of oversea effectiveness.

Of great potential importance was the vote in the drafting committee on Feb. 28 accepting the British proposal to substitute the word "force" for the word "war" in a declaration following the lines of the Pact of Paris. The European nations, the statement reads, "hereby solemly reaffirm that they will not, in any event, resort as between themselves to force as an instrument of national policy." It is generally understood that, in its present phrasing, the use of force is permitted outside Europe, though a number of European delegates, led by M. Litvinov, argued that the application should be universal. If the question comes up again before the conference as a whole, the restriction may be eliminated.

Roosevelt Takes Control

By E. Francis Brown

Amid the pomp and circumstance permitted even under a democratic republic, Franklin Delano Roosevelt on March 4 was inaugurated as the thirty-second President of the United States. Massed before the Capitol as he took the oath of office and delivered his inaugural address were more than 100,000 people, while 500,000 more watched the great inaugural parade which followed the ceremonies at the Capitol. As at few times in American history, the eyes of the nation were upon the new President; in him they had placed their trust; on him had fallen the mission to "ransom captive Israel." No President, unless it was Abraham Lincoln, ever took office in a more far-reaching crisis than did Franklin D. Roosevelt; yet it is difficult to recall any who have entered upon such great responsibility with more calm, with more self-assurance and courage.

The words of the inaugural address, delivered immediately after Chief Justice Hughes had administered the oath, carried a message of hope, a promise of vigorous action, a further pledge of the "new deal." To a country bowed down with economic troubles, President Roosevelt, in a manner uncommonly grave for him, declared boldly: "This great nation will endure as it has endured, will revive and will prosper. * * * Compared with the perils which our forefathers conquered because they believed and were not afraid, we have still much to be thankful for. Nature still offers her bounty and human efforts have multiplied it. Plenty is at our doorstep, but a generous use of it languishes in the very sight of the supply."

For much of the present plight of America the President blamed "the rulers of the exchange of mankind's goods." He assailed the "unscrupulous money changers," who "stand indicted in the court of public opinion, rejected by the hearts and minds of men." He appealed for "recognition of the falsity of material wealth as the standard of success" and for "an end to a conduct in banking and in business which too often has given to a sacred trust the likeness of callous and selfish wrongdoing."

Turning to the problems of the immediate present, President Roosevelt in crisp sentences called for action to end unemployment, to redistribute population, to aid the farmer, to reduce governmental costs. "We must act," he said, "and act quickly." But he hastened to add that certain safeguards against old evils must be established: "There must be a strict supervision of all banking and credits and investments; there must be an end to speculation with other people's money, and there must be provision for an adequate but sound currency."

Domestic problems received greatest emphasis in the address, though cooperation in international economic readjustment was promised as well as adherence to international obligations and respect for the sanctity of agreements. But meanwhile affairs at home demand attention. To meet them the President announced that he would recommend the necessary measures to Congress, "but in the event that the Congress shall fail to take" action the new leader would ask for "broad executive power to wage a war against the emergency, as great as the power that would be given to me if we were in fact invaded by a foreign foe."

In the concluding passages of his

address President Roosevelt sounded a note of defiance to the forces of gloom and despair which were hanging over the nation: "We face the arduous days that lie before us in the warm courage of national unity; with the clear consciousness of seeking old and precious moral values; with the clean satisfaction that comes from the stern performance of duty by old and young alike. We aim at the assurance of a rounded and permanent national life. We do not distrust the future of essential democracy."

As President Roosevelt spoke, his predecessor in office sat close by, listening to a speech which at certain points indicted his policies. What his thoughts were, no one can tell. But Mr. Hoover, tired from his four years on Calvary, disappointed, worried, presented a marked contrast to the exuberant new President who at Miami on Feb. 15 had miraculously escaped the bullets of an assassin. In 1929 Mr. Hoover had been speaking from the same spot to a nation still outwardly prosperous; now, repudiated and rejected, he was turning over the reins of office when panic, sorrow and starvation stalked through the land. Immediately after the inaugural ceremony he left Washington, where he had served the nation for twelve years. He left behind him a new administration which, in the midst of merrymaking and celebration, had already assumed a yoke which will not be easy and a burden far from light.

The acuteness of the domestic crisis served to increase the non-partisan atmosphere which for a brief period always surrounds a new administration. Conservatives and liberals among both Republicans and Democrats, whether in Congress or not, promised to support President Roosevelt in his war against the depression. His inaugural address received enthusiastic praise from most quarters of the nation; the voices of dissent were drowned in the chorus of approval. The new Cabinet—in American political life ever a cause for criticism—was generally rated above those of recent administrations. And the personality of the President himself seemed a guarantee that the "new deal" would become fact. Yet "political honeymoons" are usually brief, and one would be foolhardy not to expect some disillusionment and discord in the Roosevelt years.

Since his election in November the new President had increased mightily in popularity and prestige. Much of this was due to the tranquillity and coolness with which he went about preparing to assume office. But the events at Miami on Feb. 15 brought forcibly to the nation the importance of the life of the Chief Executive; the shots which Giuseppe Zangara fired that night insured more generous support for President Roosevelt in his first months of responsibility. While the President escaped, five other people who had listened to Mr. Roosevelt's Miami speech were wounded, among them Mayor Anton Cermak of Chicago, who after lingering for nearly three weeks, died on March 6.

THE NEW CABINET

During the weeks preceding the inauguration President Roosevelt devoted many hours to the formulation of policies, to the shaping of work in Congress, to foreign affairs and to the selection of the personnel of his administration. From the moment of the election the country had guessed about the membership of the new Cabinet; in many instances these guesses were correct, as the final selection of the ten Secretaries showed. On March 4 the new heads of departments were sworn in as follows:

Secretary of State—Senator CORDELL HULL of Tennessee.

Secretary of the Treasury—WILLIAM H. WOODIN of Pennsylvania and New York.

Secretary of War—Former Governor GEORGE H. DERN of Utah.

Attorney General—HOMER S. CUMMINGS of Connecticut.

Secretary of the Navy—Senator CLAUDE A. SWANSON of Virginia.

Postmaster General—JAMES A. FARLEY of New York.

Secretary of the Interior—HAROLD ICKES of Illinois.

Secretary of Agriculture—HENRY A. WALLACE of Iowa.

Secretary of Commerce—DANIEL C. ROPER of South Carolina.

Secretary of Labor—FRANCES PERKINS of New York.

For those people who had expected or hoped for a Cabinet of all the talents, the slate proved disappointing, while the fact that three of the members—Woodin, Ickes and Wallace—were former Republicans modified the approval of some Democrats. Yet, as the press hastened to make clear, Cabinet making is not as easy as the layman frequently believes; political debts must be paid off, sections and interests have to be satisfied, while the President must gather about him a group with which he can work in sympathy. In the end the country may discover that the Roosevelt Cabinet has great strength just because it is not composed of personalities whose acts have long been public property and whose individual abilities and prejudices would hinder administrative cooperation.

The naming of the new Secretary of State evoked favorable comment from all sides. Senator Hull has had a long legislative career and is recognized as an authority upon tariffs, while in spite of his lack of actual experience in diplomacy he has for many years been a student of international relations.

Mr. Woodin, who was offered the post at the Treasury after it had been declined by Senator Carter Glass, was little known to the country. His appointment was reassuring to business interests because, as president of the American Car and Foundry Company, he brings a conservative point of view to the Treasury and can be expected to support sound financial policies.

Though Homer Cummings, a prominent lawyer and Democratic leader in Connecticut, holds the post of Attorney General in the new Cabinet, his appointment was recognized as a stopgap which became necessary as a result of the sudden death of Senator Thomas J. Walsh of Montana on March 2. Senator Walsh, who was a leader in exposing the scandals of the Harding régime and was an outstanding authority upon Constitutional law, had been expected to play a large part in the Roosevelt administration. His death on the eve of the inauguration was a blow to the hopes of many liberals in particular, who had been anticipating a vigorous leadership of the Department of Justice.

Former Governor Dern, who will preside over the War Department, has been a friend of President Roosevelt and had been included in many of the early Cabinet slates. His colleague at the Navy Department, Senator Swanson, has sat in the Senate since 1910. Long identified with naval affairs, he has been a prominent figure in the Democratic party and attended the Geneva disarmament conference in 1932.

James A. Farley's selection for Postmaster General followed the tradition of assigning that post to the chairman of the party's national committee. Besides directing the Postoffice Department, he will have charge of the disposal of patronage, a power which makes him highly important in the eyes of party members.

Harold Ickes, a lawyer and Progressive Republican, comes to the Interior Department apparently as a reward to Senator Johnson for his support and that of other Progressives to the Roosevelt candidacy.

Henry A. Wallace, the new Secretary of Agriculture, is the publisher of the journal, *Wallace's Farmer*, and has devoted most of his life to agricultural problems. He was among the original promoters of the domestic allotment plan and has advocated currency inflation. His father was Secre-

ry of Agriculture in the Harding ministration.

The new Secretary of Commerce, ıniel C. Roper, is an old McAdoo ın. In the Wilson administration was First Assistant Postmaster əneral and later Commissioner of ternal Revenue.

The appointment of Frances Perns to the Secretaryship of Labor ought the first woman to an Amerin President's Cabinet. Though her lection may have been a bid for e support of women's votes, it recgnized her capable work as head of ew York State's Labor Department ıd brought to the Cabinet a personity with a liberal social outlook.

On Feb. 23 President Roosevelt nounced that he had selected Lewis '. Douglas of Arizona to be Director the Budget. Mr. Douglas as a member of the House of Representatives ıs become known as a fearless opment of government extravagance. or some time he has been studying ethods of reducing the cost of govnment and can be expected to play ı extremely important rôle in the ew administration's campaign for efciency and economy in governmental eration. His selection brought forth earty approval from financial and ısiness groups throughout the naon.

HE TASK BEFORE ROOSEVELT

No administration in recent times ıs faced so stupendous a task as es that of President Roosevelt, nor om any one man has more been excted. Foreign affairs are critical, lling for wise heads to devise soluons which will stave off catastrophe. omestic difficulties are no less serius and to most citizens of America e far more pressing than the queson of Far Eastern policy or the setment of the debts problem. The esident has promised a new deal; e country is waiting. Can reform of e banking system be expected? Will e farm situation be corrected? Will e abuses of business practice be eradicated? Above all, will men and women regain the comparative security of economic status which they have lost in the last three years and a half? These are the major problems before the administration, though there are many others—rehabilitation of the railroads, governmental economy, public utility regulation, tariff readjustments and so on.

For the most part the new President kept his policies secret until after his inauguration. The personnel of his Cabinet seemed to guarantee sound financial policies and economy in government. The naming of Senator Hull as Secretary of State pointed to negotiations for reciprocal tariff agreements, while even before the inauguration steps were being taken for the settlement of intergovernmental debts. The President has given his support to the domestic allotment plan for farm relief; he is known to favor prohibition repeal; he has promised to do something for the railroads and has stated his opposition to the uncontrolled activity of public utility companies. On Feb. 2 he proposed the development of the entire Tennessee River watershed into a gigantic unit which would link water power, flood control, reforestation, agriculture and industry. Such a project would, the President hoped, point a way to end unemployment and decentralize industry, as well as setting a precedent for a planned economy. Meanwhile, the Governors of the States had been called to Washington for a conference with the President on March 6 at which the problems concerning both the nation and the States were to be discussed.

THE WORK OF CONGRESS

A vast amount of the work of the early months of the administration must of necessity be directed to the completion of the proposals and legislation left unfinished by the Seventy-second Congress. As had been predicted from the day that body met for its final session, only a small

amount of important legislation was enacted.

When Congress convened last December, a four-point program was declared to be its aim: (1) Opposition to immediate change in the foreign debt structure, (2) the balancing of the Federal budget, (3) enactment of beer legislation and (4) farm relief. Although the action of foreign debtors in December may have upset the calculations of Congress, the debt problem was held over for settlement by the Roosevelt administration.

Midway in the session all attempts to balance the budget were laid aside. The Federal tax of 1 cent a gallon on gasoline was continued, but no other revenue measures were enacted. The hope for reduced appropriations was not realized to any extent in the supply bills passed by Congress. Proposed pay cuts for government employes and reduced appropriations for special commissions brought forth immediate protests from those directly concerned. Nor were attempts to decrease the size of mail subsidies to shipping and airlines any more successful. Because of prolonged debate, by Feb. 18 only the appropriation bill for the Interior Department had passed Congress, though the House had completed its work upon all bills except that for the Navy Department and even that bill was out of the way by Feb. 23. But during the closing days of the session the supply bills were hastily enacted. The independent offices appropriations bill, carrying nearly $1,000,000,000 for veterans' affairs was pocket vetoed. The District of Columbia supply bill failed to pass the House.

The most controversial of the routine appropriations bills proved to be the Treasury-Postoffice measure, to which an amendment had been made in the Senate directing a 5 per cent reduction in all appropriations for the fiscal year. Of more importance was the amendment giving President Roosevelt authority to consolidate, transfer or eliminate any executive agencies with the exception of the major departments, to hold up appropriations or to transfer funds from one department to another—all without control by Congress. Such a grant of extraordinary powers had been desired by President Hoover, but had been refused by a hostile Congress. With the 5 per cent salary slash deleted, the bill was finally passed by Congress on March 3.

The legalizing of the manufacture and sale of beer which had been hopefully demanded at the convening of Congress remained unfinished business at the end of the session. Though the House passed a bill for the purpose on Dec. 21, the Senate completely re-wrote this bill but did not bring it to a vote. Thus what had been regarded in many circles as a means for stimulating business and as a source for revenue fell by the wayside.

On the other hand, Congress took a surprising step in regard to prohibition by adopting the Blaine resolution for the repeal of the Eighteenth Amendment. The resolution had been pending in the Senate for some time, though few people expected it to be acted upon. On Feb. 13, however, Senator Blaine moved for consideration of his resolution, and after an eight-hour filibuster by dry Senators the resolution was adopted on Feb. 16 by a vote of 63 to 23; on Feb. 20 the House concurred by a vote of 289 to 121. The text of the resolution is as follows:

Resolved, By the Senate and House of Representatives of the United States of America in Congress assembled (two-thirds of each house concurring therein), That the following article is hereby proposed as an amendment to the Constitution of the United States, which shall be valid to all intents and purposes as part of the Constitution when ratified by conventions in three-fourths of the several states:

Section 1. The eighteenth article of amendment to the Constitution of the United States is hereby repealed.

Section 2. The transportation or importation into any State, Territory or

possession of the United States for delivery or use therein of intoxicating liquors, in violation of the laws thereof, is hereby prohibited.

Section 3. *This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by convention in the several States, as provided in the Constitution, within seven years from the date of the submission hereof to the States by the Congress.*

As ratification of a constitutional amendment by State conventions rather than by Legislatures is unprecedented, there was some thought of securing a definition for proper procedure from Congress, but an opinion from Senator Thomas J. Walsh that the question was one for the States to decide removed the question from Congress. The fight between the wets and drys is thus transferred to the forty-eight States, where it can be assumed that ratification will be secured neither easily nor rapidly. The sudden action upon prohibition restored to Congress some of its lost prestige, giving new assurance that that body was not doomed to endless and indecisive debate.

Farm relief likewise was lost in the lame-duck session. The chief proposal was the domestic allotment plan, which would attempt to raise farm purchasing power through a system of bounties granted to growers of wheat, hogs, cotton and tobacco. (See pages 38-40 of Mr. Ronald's article in this issue.) A bill embodying these proposals was introduced in the House, but before passage on Jan. 12 was so altered as to destroy most of its original features. The House bill was completely rewritten in the Senate, where, though reported by the Agricultural Committee on Feb. 15, it never came to a vote. Since a Presidential veto awaited the bill if it should pass, the Senate's failure to act probably made little difference.

During the session of Congress, however, the situation in the farming areas became so alarming that other measures for relief were proposed—especially bills to extend moratoria to farm mortgages and to refinance agricultural indebtedness at low rates of interest. None of these measures was acted upon, though a bill for setting up a government cotton pool in which participation would depend upon limitation of acreage received a pocket veto from President Hoover.

Out of the West, while Congress was debating, came accounts of mob action against mortgage foreclosures, of farmers marching in great demonstrations, of marketing strikes and occasional outbursts of violence. At the same time representatives of farm organizations were talking inflation, demanding reduction of taxes and seeking a halt to mortgage foreclosures. Organized protests of this sort brought some relief in several Middle Western States where proclamations from Governors or legislative action put an end temporarily to forced sales of farms for delinquent taxes or defaulted mortgages. (For the background of this situation, see the article "Farmers' Troubles—And a Remedy" on page 35 of this issue.)

The remaining legislative activities of Congress reflected the economic distress of the nation. Of outstanding importance was the attempt through the Glass bill to reform the banking system. Late in January this bill, after being before Congress for many months, was finally adopted in a somewhat emasculated form by the Senate. Action by the House was not forthcoming, despite the real warnings from all sections of the country that reform was necessary and urgent. As a result the Seventy-second Congress came to an end without final action upon the Glass bill.

Closely related to the financial structure of the nation was the bankruptcy reform bill which was passed by the House on Jan. 30. The bill, whose constitutionality was somewhat in doubt, aimed to facilitate settlements between creditors and debtors.

Opposition on the part of banks particularly caused the bill to be rewritten in the Senate, where it was finally passed on Feb. 27. Meanwhile, on Feb. 20, adoption had been urged in a special message from President Hoover. The bill, as finally passed and signed by him, on March 1, permits individuals, farmers and railroads to adjust their debts voluntarily without going through the procedure of formal bankruptcy or into receivership.

With the end of the session died temporarily various proposals to relieve debtors and restore economic activity through some form of inflation, notably the remonetization of silver. But more of that subject will be heard as the Roosevelt administration gets under way.

Though President Hoover and Republican members of the House were anxious to raise duties on goods imported from countries whose currency has depreciated, the Democratic majority prevented such action at the lame-duck session. The President and his Secretary of Commerce contended that serious harm was being inflicted upon American industry by the flooding of the American market with foreign goods—a fact denied by the Republican Chairman of the Tariff Commission. On Feb. 13 the House killed all chances for tariff legislation when, by a vote of 212 to 174, it defeated the Republican proposal to discharge the Ways and Means Committee from further consideration of the Crowther bill to increase tariffs.

In the recent session of Congress, as in those preceding it, a good deal of time was expended upon the problem of unemployment relief. Hearings before the Senate banking subcommittee exposed the incredibly serious plight of the unemployed, who in January were conservatively estimated at 12,000,000. One witness informed the Senators that 45,000,000 Americans were living "in poverty" and that 15,000,000 were wholly dependent on charity "without which they would perish." He went on to say: "Relief so far has been totally inadequate. Children are suffering from malnutrition that will damage future generations. We have found workingmen who have been idle for twelve to fourteen months who could not stand the work they had previously done because of undernourishment." When such testimony was reinforced by others in close touch with unemployment conditions, the Senate moved quickly.

Senator Wagner sponsored a bill to add $300,000,000 to the Reconstruction Finance Corporation's fund for direct relief loans to States and to liberalize the existing law so that loans for public works need not be self-liquidating. Such a bill was passed by the Senate on Feb. 20, with the added provision of $15,000,000 for loans to the States to assist in the rehabilitation of the itinerant unemployed. A week earlier the Senate had added $20,000,000 to the annual appropriations bill for the War Department in order to make the Citizens Military Training Camps available for concentration and supervision of a portion of the "wandering boys" of America, though this provision was eliminated in the final passage of the bill. At the end of the session the House had not acted upon the Wagner bill.

THE BANKING CRISIS

Meanwhile, however, a major banking crisis had arisen. During the past few years thousands of banks throughout the country have failed, pointing to the need for a general overhauling of the banking structure. But the situation was permitted to drift until a series of difficulties in several widely separated urban centres of the nation culminated on Feb. 14 in an eight-day banking holiday in Michigan. Financiers may have been prepared for the sudden crisis which centred at Detroit, but the public was not, and the shock of the exposure of conditions in the great Michigan city sufficed to weaken confidence in banks every-

where. Ten days later difficulties in Baltimore caused the proclamation of a three-day banking holiday in Maryland.

Eventually the country will learn more of what took place during those days among the financiers and governmental officials. For the moment the true situation was only half revealed by the press, and little idea was given of the frantic attempts to prevent a wholesale banking panic. In many States, banks with State charters were operating under some form of moratorium, consisting in most cases of restrictions on the withdrawal of deposits. Perhaps that helped to explain the decline of bank closings at a moment when banks everywhere were being subjected to terrific strains. The seriousness of the situation was exposed by the rapid passage through Congress of the Couzens resolution, which endowed the Controller of the Currency for six months —to be extended another six months if necessary on the authority of the President — with emergency powers over all national banks. By this frozen and liquid assets of a bank might be segregated; depositors would be restricted to withdrawals against only the liquid assets, the percentage to depend upon the degree of the bank's liquidity. The resolution was introduced in the Senate on Feb. 20; five days later it had passed both houses of Congress and been signed by the President. Meanwhile State Legislatures rushed through bills and resolutions to prevent a banking débâcle.

By the eve of the inauguration a banking panic gripped the nation, and at the end of the day on March 4, every State in the Union had restricted banking operations or had invoked banking holidays. The crisis forced immediate action from the new administration which, after extended conferences between financiers and members of the government, ordered, late in the evening of March 5, a four-day, nation-wide banking holiday subject to regulation by the Secretary of the Treasury. The proclamation prohibited the withdrawal of gold and silver for domestic use or export during the holiday. It also authorized the issuance of Clearing House certificates or scrip for the carrying on of business. Earlier in the day, an extraordinary session of the Seventy-third Congress had been called for March 9, when emergency legislation, proposed by the new administration, was to be brought forward.

CONGRESSIONAL INQUIRIES

While the legislative record of Congress during its recent session may not have been impressive, its various hearings, especially the formal investigations conducted by the Senate, served to expose conditions and trends a knowledge of which would seem to be indispensable in a democracy. An investigation of the stock market by the Senate Banking and Currency Committee has been in progress for some time, but in February it achieved new prominence by its examination of the Insull utility empire and the operations during the stock market boom of the National City Bank of New York. The collapse of the Insull structure had prepared the public for any revelations that might result from the testimony in regard to its unsavory history, though it may have come as a surprise to learn from Charles G. Dawes that his bank in Chicago had violated the spirit of the law by its excessively large loans to the Insull companies. The great shock, however, came from the investigation of the affairs of the National City Bank, which was shown to have carried on extremely unwise and unethical practices during the halcyon days before the market crash. These revelations brought about the resignation of Charles E. Mitchell, the bank's president, and H. B. Baker, another of its executives, and helped further to undermine confidence in

the nation's banks and bankers at a time when the need for confidence was paramount.

Early in February the Senate Finance Committee began hearings to discover methods to end the depression. In the mass of evidence gathered by Senators during the next few weeks all kinds of remedies were suggested, among them settlement of the war debts, recognition of Soviet Russia, dictatorship, the balancing of the budget, the lowering of tariffs, sound money, reform of the banking system and a gold embargo. Two things seemed to stand out above everything else as these financiers, industrialists, statesmen and economists passed before the Senate committee. The first was a unanimity of belief in the need for a general rebuilding of the economic structure; the second was the general inability of these same men to suggest how the remedies which they proposed could be translated into fact. For instance, despite reiterated demands for a balanced budget, neither Myron C. Taylor, president of the United States Steel Corporation, nor Jackson Reynolds, president of the First National Bank of New York, could suggest any means of accomplishing that end.

Before both investigations the fact was borne out that none of the business leaders was infallible, that the great figures of the "new era" were in truth extremely fallible and in many instances downright ignorant. Possibly this truth was not new, but it helped to make the exponents of dictatorship seem ridiculous and to cast Congress in a different rôle from the traditional one of a common nuisance.

THE RAILROAD REPORT

The most interesting and perhaps important event in the recent history of American railroads is the report of the National Transportation Committee. This committee, formed at the instance of savings banks and insurance companies to investigate the conditions of the railroads and transportation, made public its long-awaited report on Feb. 15. The committee asserted immediately that "the railroad system must be preserved," but it hastened to advocate regional consolidations looking to a single national system and the elimination of "excess and obsolete lines and equipment." "Unprofitable railroad services should be replaced by cheaper alternative transport methods" and the roads should be permitted to own competing services. The report maintained that government support of inefficient competing services, such as inland waterways, should be ended, while motor transport should be regulated and taxed in the public interest. Of interest to labor was the committee's stand that "rates, capitalization, salaries and wages must all follow changing economic conditions, but none should be sacrificed for the benefit of others."

In regard to rates the report declared that the roads were entitled to a "reasonable profit" based upon the cost of efficient operation and that, therefore, the present rule of ratemaking should be revised. But the roads were condemned for not doing more to help themselves out of their present plight; general management should be improved; the roads should adopt "the competing methods of which they complain"; "unnecessary service should be abandoned; terminals should be consolidated; haulage made more efficient, and methods as well as equipment should be modernized." In the present emergency, reorganization should be facilitated, rules for ratemaking should be revised and the recapture clause by which prosperous roads are required to aid weaker roads should be repealed retroactively. As a final aid to the roads, loans from the R. F. C. should be granted with less attention to the present marketable value of the collateral offered by the roads.

In a supplemental report, Alfred E. Smith dissented from this last recommendation, as he did from that urging revision of the rules for rate-making. His greatest divergence from his colleagues, however, was his advocacy of the abolition of the Interstate Commerce Commission and the creation of a department of transportation under the direction of one man. "What we need," Mr. Smith said, "is a new transportation system, not endless hearings on a system that does not work."

Although the committee's report had been anticipated with great interest, it aroused little comment when published. However, it was hard to believe that the investigation and resulting recommendations would be wasted, especially if the Roosevelt administration carries out its campaign promise to include the railroads in the new deal.

THE ECONOMIC BACKGROUND

While Congress and its members battled with legislation and problems which the economic crisis has brought into being, local governments and private corporations carried on a fight against the forces which have changed the entire aspect of American life. A fundamental difficulty is the domestic debt burden, which requires attention no less than intergovernmental debts. Momentarily the Middle West has settled the farm mortgage problem through moratoria; a similar remedy is being adopted in many States for the protection of the small home-owner. Meanwhile, some banks and mortgage companies have voluntarily reduced the interest rate on mortgages and have acted leniently toward those unable to maintain principal or interest payments. Many corporations have improved their financial position by a general policy of writing down the value of their holdings and their liabilities. Deflation and liquidation have gone far in the general business structure.

A writing down of the capital structure of the railroads, however, has been prevented by loans from the R. F. C. Although this loan policy has been criticized by many economists, it has been defended by as outspoken a critic of railroading as Joseph B. Eastman of the Interstate Commerce Commission; in any case, receiverships and reorganizations have been staved off for the time being.

The debt burden afflicts American cities no less than individuals and corporations. At a conference of the Mayors of some of the great cities, held in Washington on Feb. 17, resolutions were adopted urging Congress to authorize the R. F. C. to make loans to municipalities which are in dire financial straits. The following days several Mayors testified before the Senate Banking and Currency Committee that without Federal aid municipal bankruptcy lay ahead. Mayor Murphy of Detroit summed up the situation when he said: "The enormous debt charges of the cities and the tax delinquencies, which now reach 40 per cent, are crushing us." "In Detroit," he continued, "the debt charge represents 67 cents out of every tax dollar. The vast burden of destitution is further crushing the citizens. The city is strapped."

Yet many sound students of economics are skeptical of the value of the R. F. C. and its policies, maintaining that the tremendous sums it has advanced have served primarily to bolster up a debt structure which eventually would have to be revised. Moreover, these critics declare, the R. F. C. may have prevented a panic so far, but there is no guarantee that it has removed all possibility of panic before business life reaches a more nearly normal level.

But loans or no loans, general business conditions showed little change, though the steadiness of business activity, even at a low point, was cited in some quarters as an encouraging sign. Between Jan. 28 and Feb. 25 *The New York Times* index of busi-

ness activity fluctuated between 54.0 and 52.3. Various statistical reports for the year 1932 help to make clear some of the changes that have occurred in the United States. The National Industrial Conference Board has estimated that the national income for 1932 was about 53 per cent lower than in 1929, a fact that is not surprising when a study of several indices places American business in 1932 on a level with that of 1913.

The spread of banking troubles naturally affected business activity at the end of February. Among the other reasons for the slight change in the index of business activity during February was the continued small output of automobiles, for which labor troubles in Detroit were partly to blame. Strikes against intolerable working conditions in the plants of the Briggs Manufacturing Company, which makes automobile bodies for the Ford Motor Company, forced the latter concern almost entirely to shut down early in February. Strikes also occurred in the plant of the Hudson Motor Company. By the end of the month the troubles had ended and production had begun again.

While the bare chronicle of events in the United States is depressing, there is cause for hope in the changed attitude of many people. Instead of thinking about a quick return to "prosperity," many have come to realize that the process of revival must be slow and will be dependent upon a rather thorough reorganization of the nation's economic life. While the more enlightened may have seen this necessity for a long while, the Bourbon-minded have had it forced upon them by the growing acuteness of the economic situation. More striking, even if less important, was the wave of hope which swept over much of the nation as Mr. Roosevelt assumed control at Washington.

End of Nicaraguan Revolt

By CHARLES W. HACKETT
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THE settlement of all outstanding difficulties between General Agusto Sandino and the Nicaraguan Government was formally reached in a pact that was signed on Feb. 3 by President Sacasa, General Sandino and three of his aides and leaders of the Liberal and Conservative parties.

Under the terms of the pact an amnesty was granted to all former followers of General Sandino surrendering their arms within fifteen days at San Rafael del Norte, in the Department of Segovia. One hundred Sandinistas, to be selected for one year by President Sacasa and General Sandino, will be permitted to retain their arms and are to serve as a police force in the region which they terrorized for nearly six years. Subsequently this force is to be chosen solely by the President. In order to assure the pacification of the former rebels, a large area will be set aside near the Coco River in Segovia Department for those who desire to settle as farmers. It was provided in the peace pact that the grant of land should be within thirty miles of a town and that details of its selection and subdivision should be handled by the Ministry of Agriculture.

General Sandino returned on Feb. 4 to San Rafael del Norte, where he is-

sued a "circular to all civil and military chiefs of our army, defenders of the sovereignty of Nicaragua." In it he announced that he had arranged "complete and satisfactory peace for Nicaragua," and ordered all his followers to concentrate immediately at San Rafael del Norte with all the war material in their custody. Sandino's circular concluded with the statement that "there now exist no differences of Nicaraguan armies, because we are sincerely and truly united with President Juan B. Sacasa, and our word before him carries decisive influence for the arrangement of whatever matters it is desirable to meet."

The followers of General Sandino were reported on Feb. 6 to have agreed to comply with the peace pact signed by their chief, and next day 1,800 Sandinistas were reported to have gathered in San Rafael del Norte to lay down their arms. Groups failing to obey orders of General Sandino to comply with the peace pact were to be pursued by the National Guard, with the full cooperation of General Sandino.

MEXICAN AFFAIRS

The sixteenth anniversary of the adoption of the present Mexican Constitution was celebrated on Feb. 5. The Senate held a commemorative session, after which its members deposited a wreath at the tomb of Venustiano Carranza, who convoked the Congress that completed the present Constitution on Feb. 5, 1917. Ceremonies were also held at the Statue of Independence, where rest the remains of the heroes of the Mexican War for Independence. Another celebration was held at Valbuena Aviation Field, where medals were conferred by Minister of War Cardenas upon the men who took part in the defense of Vera Cruz at the time of the American occupation in 1914.

By a decision handed down by the Mexican Supreme Court on Feb. 12, the Mexican people cannot rightfully be held responsible for damages caused to foreigners by the Huerta Government which was in power in Mexico City from February, 1913, to July, 1914. The case involved a claim advanced by a German national, Adolfo Stoll, for supplies furnished to the Huerta Government and for a forced loan exacted from him by a Huertista General. The case reached the courts when Stoll, after his claim had been disallowed by the Mexican-German Claims Commission, applied for an injunction against the decision of the commission.

A convention for controlling the currents and rectifying the course of the Rio Grande in the vicinity of Juárez, Chihuahua and El Paso, Texas, was signed in Mexico City on Feb. 1 by Mexican Foreign Minister Puig Casauranc and United States Ambassador Clark. The convention applies to the course of the river for a distance of eighty-seven miles below El Paso and Juárez but does not relate to the Chamizal section, within the present limits of El Paso, which has long been in dispute between the governments of the two countries.

The appointment of Señor Fernando González Roa as Mexican Ambassador to the United States was officially announced in Mexico City on Jan. 30. Señor Roa, a noted lawyer, has been a leading figure in Mexican public life for more than thirty years. His diplomatic career began in 1916, when he was named a member of the Mexican commission to confer with a United States commission, headed by Secretary of the Interior Lane, to arrange for the withdrawal of the Pershing expedition from Mexico. He probably attained his greatest eminence as a member of the United States-Mexican commission of 1923, which was created to effect an understanding between the two governments arising from the operation of the agrarian and petroleum policies of the Mexican Government and also to negotiate special and general claims conventions.

The success of the commission in dealing with these important questions was followed by the recognition of the Obregón government by the United States. Señor Roa has been a member of the Permanent Court of Arbitration at The Hague and has served as a member of the Mexican-French, the Mexican-German and the Mexican-Spanish claims commissions.

United States Ambassador J. Reuben Clark, accompanied by his family, left Mexico City on Feb. 14 for Washington, where he tendered his resignation to President Hoover in order to allow the incoming Roosevelt administration a free hand in Mexican relations. President Hoover accepted Ambassador Clark's resignation without public comment on Feb. 25. In referring to the pending departure of Ambassador Clark, *El Nacional,* the Mexican Government organ, said editorially that he had accomplished his diplomatic task "in highly commendable fashion through his dignity, high sense of duty and fairness, discreet diplomatic conduct and a sincere effort at understanding." The American Chamber of Commerce in Mexico City announced on Feb. 25 that a petition carrying the names of several hundred resident American business men had been forwarded to President-elect Roosevelt asking that party affiliations be overlooked and that Mr. Clark be returned to Mexico as Ambassador under his administration.

CUBAN DISORDERS CONTINUE

Numerous disturbances throughout Cuba preceded and attended the celebration of the republic's thirty-eighth anniversary of its national independence. In Havana Independence Day dawned to the accompaniment of bursting bombs. Three exploded without doing serious damage in the residential sections, and five others went off in the Spanish Centro Asturiano. Military censorship was reported from Havana to have veiled with deepest secrecy the true situation in the interior. (For a general account of the situation in Cuba see the article by Russell Porter on page 29 of this magazine.)

A dispatch from Havana, dated Feb. 22, to *The New York Times,* reported that "the military censors" had confiscated that day "115 copies of the March issue of the magazine CURRENT HISTORY, charging that an article entitled, 'Unrest and Disorder in Cuba;' by Charles W. Hackett, Professor of Latin-American History at the University of Texas, was prejudicial to the present administration in Cuba." The correspondent added: "Although the deluge of criticism of the Cuban Government in the United States press concerning the censorship imposed on United States publications imported into the island has brought repeated denials from government authorities that no such censorship exists, it is noticeable that magazines arriving here containing articles which show the present régime in an uncomplimentary light continue to be barred from sale."

Rumors on Feb. 27 that something approximating revolution existed in the interior provinces of Cuba were based upon various violent acts of the previous days. Three attempts in four days were made to destroy properties of the United Railways. Bands of rebels were reported in the provinces of Oriente, Camaguey and Santa Clara. The wrecking of a freight train in which two members of the crew were killed was attributed to sabotage. Bombs destroyed two small bridges in Camaguey Province, and other bombs exploded in cities of Santa Clara and Camaguey Provinces, where cane fields continued to be burned. It is estimated that 25,000,000 pounds of sugar have been burned since the present grinding season started. Nevertheless, official sources continued to blame Communists and unemployed for such disturbances as were admitted. Although army headquarters denied there had been any

movement of troops, two squadrons of the tactical unit stationed at Santa Clara were ordered out against cane-burners.

A second diplomatic incident between the Spanish Embassy and the Cuban Government since the first of the year regarding the arrest of Spanish students occurred on Feb. 6. An automobile in which two students, Luis Fuentes Guzmán and José Manuel Alemán, were riding collided with that of Representative Felipe González Sarraín. The youths were arrested and placed in Principe Fortress at the disposition of the Military Supervisor of Havana Province. Guzmán was formerly a law student at Havana University, but was expelled in 1928 by Presidential decree for his anti-administration activities; last August he was released from the Isle of Pines Penitentiary, where he had been held incomunicado for eight months. Upon the arrest of Guzmán the Spanish Embassy advised the Havana Chief of Police that Guzmán was a Spanish subject and demanded guarantees for his life.

HONDURAN PRESIDENT INSTALLED

General Tiburcio Carias, Nationalist party leader, and General Abraham Williams, descendant of a distinguished British family, were inaugurated President and Vice President, respectively, of Honduras on Feb. 1. President Carias succeeded President Vicente Mejía Colindres.

Peace Efforts in South America

By HENRY GRATTAN DOYLE
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THE prospects for complete cessation of hostilities in the two border disputes that have disturbed the peace of South America during recent months seemed bright as February ended, though there were times during the preceding weeks when a peaceful outcome appeared more remote than ever, particularly in the Leticia controversy. Actual fighting, which the neutrals had tried so sedulously to prevent, occurred between Colombian and Peruvian forces in the Leticia region, and the war spirit in Lima manifested itself in a fiery speech by President Sánchez Cerro and in a mob attack upon the Colombian Legation.

On Feb. 27, however, it was announced from Geneva that both Colombia and Peru had notified the League of Nations that orders had been given to cease hostilities. In the Chaco conflict, while reports on Feb. 28 indicated that Bolivian forces were still attacking in the Nanawa sector, and that a new attack on Fort Toledo had been launched, the neutrals' proposals for a cessation of hostilities had been accepted by Paraguay "with slight and unimportant modifications," and were reported to be under consideration by Bolivia. Only a week before it was announced that Paraguay would shortly declare war on Bolivia, a little formality that seems to have gone out of fashion in territorial disputes, although the new method has the advantage of not committing the participants as irrevocably as the old. Even now one should not be oversanguine about peace, because it is still possible for one or the other of the countries concerned to "upset the applecart" by even the slightest of

indiscretions or the least trace of stubbornness.

An interesting aspect of the neutral efforts has been the shift of emphasis in neutral activity from Washington to Geneva, in the case of the Leticia affair, and from Washington to Santiago with respect to the Chaco. In the former instance the League of Nations' Committee of Three, headed by Sean Lester of the Irish Free State, was the chief factor, earnestly supported by the United States. In the latter the proposals came from the ABC nations, cooperating with Peru, and grew out of the conference held at Mendoza, Argentina, on Feb. 1 by the Argentine and Chilean Foreign Ministers. It was, it will be recalled, the Washington Commission of Neutrals that appealed to the neighboring nations—Argentina, Brazil, Chile and Peru—to exert pressure for the cessation of the Chaco warfare. Thus in both instances the United States clearly indicated that its sole object was the restoration of peace, and that the State Department was willing to play a secondary rôle if necessary in order to bring it about.

While in foreign capitals American disinterestedness was thus being demonstrated, in Washington one of the most unsavory chapters in recent economic history was again brought to public attention by the Senate Banking Committee investigation of stock-market transactions. In testimony before the committee on Feb. 27 it was admitted by officials of the National City Company that it had participated in the flotation of Peruvian loans in the United States although confidential files of the company showed the Peruvian Government at that time to be "an adverse moral and political risk." The bonds are now selling at a small fraction of their original price. (For a discussion of investors' losses in South American securities, see CURRENT HISTORY for February, 1932, pages 720-722.) The Peruvian episode, however, is only one of a series of ill-advised loan flotations of South American securities in which indifference to investors' interests, bad judgment and, sometimes, criminal folly seem to have been mingled. But the South American scandal is of a piece with the Kreuger & Toll affair and other instances of international banking mistakes made before the depression.

PROPOSED ARMS EMBARGO

The arms embargo proposed by President Hoover at the suggestion of the State Department had no chance of passage by either house before the end of the lame-duck session. Action in the Senate had been blocked by Senator Bingham, and although the House Foreign Affairs Committee reported the bill, the Rules Committee denied a hearing upon it and Speaker Garner refused to let it come up under suspension of the rules. As reported, the bill carried an amendment to limit the President's authority to the Western Hemisphere.

Strong opposition to the arms embargo proposal was expressed by Senator Borah in a statement on Feb. 28, after learning that Great Britain had imposed an embargo on Japan and China. Such an embargo, he said, was equivalent, under prevailing conditions, to taking sides with Japan. Application of the idea to the South American disputes was discussed in the Council of the League of Nations, after the League had been informed that Great Britain and France were ready to cut off shipments of arms and war materials to Paraguay and Bolivia. Dr. Wellington Koo, Chinese representative at Geneva, supported the suggestion for a "two-way" embargo against Bolivia and Paraguay, on the ground that there was doubt as to which of the nations was the aggressor, while criticizing the British embargo in the case of Japan and China, doubtless because of the implications of the League report on Manchuria.

The discussion of the proposed embargo brought out the difficulty of

applying an embargo with full equity in any given case. Commentators have pointed out that unless there is world-wide application of the embargo it is useless, and that if directed at both belligerents it actually favors the one best prepared before the outbreak of hostilities (often the aggressor in fact). Another objection is based on the difficulty of determining the aggressor. In a strong letter to the *New York Herald Tribune* Professor Edwin M. Borchard of Yale argued that the proposed legislation here would also be unconstitutional, since it would give to the President "the power to make treaties without the consent of the Senate, to enter into alliances without the consent of the Senate, to violate the neutrality laws of the United States by embargoing shipments to one of the belligerents, and, in effect, to declare war on the country thus selected."

Another factor involved in the application of an embargo in the Chaco conflict is Bolivia's treaty right to import merchandise through Chilean ports, based on the Chilean-Bolivian treaty of 1904. According to news dispatches, a discussion has been going on between Chile and Bolivia as to whether war materials were included in this treaty right, Bolivia holding that they were, Chile that they were not. Since practically all Bolivia's war materials enter through the Chilean ports of Arica and Antofagasta, Chile's action in imposing an embargo might be disastrous to Bolivia. It was reported that Chile recently held up some of these supplies, but finally released them after Bolivia had made representations. According to the same report, the request of Paraguay's President for a declaration of war against Bolivia was based on this incident, since a declaration of war would establish Bolivia's status as a belligerent and thus perhaps strengthen Chile's hand with respect to an embargo. But on March 2 the Paraguayan Congress had not acted upon President Ayala's message.

American critics of the embargo idea have also brought up the use of the existing Presidential embargo power (applicable only to prevent internal strife) by Presidents Taft and Wilson toward Mexico. Wilson's withdrawal of the embargo materially aided the Carranza revolution.

It is unfortunate, but perhaps natural, that the interests of arms manufacturers have apparently had such a prominent part in discussions of the proposal. Advocates of the proposal point out, for instance, that Senator Bingham comes from Connecticut, in two cities of which (New Haven and Bridgeport) large munitions plants are located.

THE LETICIA AFFAIR

The expected clash between Colombian forces proceeding to recapture Leticia and the Peruvians took place on Feb. 14, when Peruvian planes bombed the Colombian gunboat Córdoba in the Putumayo River and, according to Colombian reports, were driven off by Colombian planes. Peruvian reports, however, indicated that the Colombians were the aggressors. On the following day the Colombians took the town of Tarapaca, on the Putumayo, at the northern end of the Amazon corridor over which the Leticia dispute occurred. No casualties were reported. Further bombing attacks by Peruvian planes constituted the only other activity in the region reported at the time of writing.

Warlike preparations on the part of both Colombia and Peru were reported throughout February. Colombia, for instance, floated a national defense loan of $10,000,000, inaugurated new war and income taxes and established military conscription for all males between 20 and 45. A Presidential decree in Peru forbade the issuance of passports to males between the ages of 21 and 25 in order to retain all men of fighting age.

The attack on the Colombian Lega-

tion in Lima, which has already been mentioned, occurred on Feb. 18. The Colombian Minister, Fabio Lozano Jr., had to flee with his wife and daughter, taking refuge in the Chilean Legation; later he reached Guayaquil, Ecuador, by plane. According to his statement, the mob sacked the wine cellar, destroyed furniture and burned records in the street. Peruvian official statements declared that the crowd had merely stoned the legation and attributed the incident to the Colombian Minister's failure to leave Peru immediately after relations were severed. On Feb. 21 the Peruvian Congress passed a resolution of confidence in the Ministers of Foreign Affairs, War and Navy.

EVENTS IN THE CHACO

Military activities in the Chaco during the month, while apparently continuous, did not result in marked advantage to either side. The Paraguayans were still holding Nanawa, the "Verdun" of the Chaco warfare, which is almost completely invested by the Bolivians. Efforts in the northern sector to break through to Arce and Alihuata were likewise apparently fruitless. Similarly, Paraguayan efforts to break the lines of the Bolivians were repulsed. Artillery preparation preceded many of the attacks, the Bolivians using regular artillery, the Paraguayans trench mortars. At the end of the month Paraguayan reports claimed that four Bolivian attacks on Forts Corrales and Toledo were repulsed with heavy losses.

One result of the fighting in the Chaco may be the departure of the 5,000 Mennonite colonists, who for five years have been struggling to bring 75,000 acres under cultivation. If they leave, the Chaco will lose about one-sixth of its white population and one-fourth of its cultivated land will revert to the jungle. Only last Summer the League of Nations paid the expenses of some of the colonists to migrate to the Chaco from Manchuria, when the conflict between the Chinese and Japanese made peaceful farming impossible. Among the colonists are pacifist Mennonites from the United States, descendants of German immigrants to Russia who fled from the anti-religious program of the Soviet Government, and Mennonite colonists who failed to find in Mexico the peace they sought. Coreligionists in Holland and Germany had planned to join the colony in the Chaco ultimately.

SOUTH AMERICAN UNREST

President Justo of Argentina entered upon his second year in office on Feb. 20, with Argentina still under the "state of siege" declared last December after the discovery of Radical plots against the government. President Justo has not, however, replaced any of the provincial Governors or suspended elections. Release of former President Irigoyen was ordered by the Federal courts on Feb. 23. The Minister of the Interior announced that the court order would be obeyed, although the government had refused to obey a similar order issued a week before on behalf of Dr. Marcelo T. de Alvear, also a former President. The government based its refusal on the extraordinary powers granted it under the "state of siege." Both leaders had been accused of complicity in Radical plots.

Argentine farmers, principally in the Provinces of Córdoba and Santa Fé, on Feb. 1 initiated an agrarian strike, for the purpose of securing a moratorium on debts, reduction in tax appraisals, interest cuts and a fixed price for corn.

A threatened civil war in Uruguay seemed to be averted when, on Feb. 15, Luis Alberto de Herrera, leader of the Nationalist party, announced that his followers would not carry out the threat of "direct action" against the government of President Gabriel Terra. Contending that the present commission form of government by the National Administrative Council had

proved inadequate, the President had urged constitutional reforms to abolish it. Socialist members of the Chamber of Deputies presented a motion on Feb. 10 to impeach the President. Under the Constitution of 1917, the executive power is in the hands of an administrative council of nine members. Opponents of the President allege that because the two minority parties have combined to control the council (and therefore patronage) the President wishes to change the system.

In Ecuador, according to a dispatch of Feb. 18, a student demonstration over the arrest of one of their number because of seditious activities seemed likely to result in the closing of the University of Quito.

A number of members of the Workers Federation in Chile were arrested on Feb. 25, after an alleged discovery of a Communist plot involving soldiers and sailors. Headquarters of the "Reds" were said to be maintained in Montevideo, Uruguay, and it was stated that the Chilean uprising was to be the first of a series affecting other countries.

Uncertainty as to whether the scheduled national elections will be held in Brazil on May 3 has caused considerable unrest in that country. The North favors postponement, while the South, including the States of Rio de Janeiro and Minas Geraes, opposes it. A majority is believed to favor holding the elections as promised, in spite of the fact that enrolment so far has been small, largely because of the restrictions of the electoral code, which requires fingerprints, photographs and other red tape. Dr. Oswaldo Aranha, Minister of Finance, who had previously pledged himself to insist on elections being held as announced, declared on Feb. 10 that unless the elections were held on May 3 he would resign and return to his native State of Rio Grande do Sul. It will be recalled that Dr. Aranha's sturdy support of the government was a factor in its victory over the revolting State of Sao Paulo last year.

Canada's Reciprocity Move

By J. BARTLET BREBNER
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MR. R. B. BENNETT, the Canadian Prime Minister and leader of the Conservative party, surprised Canada on Feb. 20 by announcing in the Dominion Parliament that his government was desirous of effecting a reciprocal trade treaty with the United States, but expected the first move to come from Washington. "There is," he said, "an earnest desire on the part of the Canadian people * * * to take advantage of the markets afforded by the most populous community in the world."

This blessing by Mr. Bennett on an idea which his party had traditionally opposed was not unqualified, but it was the first public recognition by a Conservative leader of the identity which existed between President-elect Roosevelt's policy of "reciprocal trade treaties" and the policy which Canada has pursued since 1921, and which was so broadly followed last Summer at the Ottawa conference. Mr. Bennett referred to the forthcoming World Economic Conference and expressed the hope that it would check economic nationalism and that the principle of reciprocal commercial

agreement would gain the ascendancy.

This unexpected announcement naturally aroused much speculation, particularly when it was later revealed that Henry Morgenthau Jr., had been sent to Ottawa by Mr. Roosevelt to inquire as to the prospects of a reciprocal trade treaty, and that the Canadian Minister to Washington had conferred with the President-elect. These events, coupled with Mr. Bennett's visit to London and the trend of the Anglo-American debt negotiations, led many to believe that Great Britain, Canada and the United States would attend the World Economic Conference after having reached important preliminary understandings. The reception to Mr. Bennett's trial balloon was favorable in the United States Congress and in the Canadian Parliament. Canadian opinion held that after twelve years of successively higher American tariffs, the Ottawa agreements had awakened the United States to the loss of her best customer.

Canada needed a stimulant to her commerce which, since October, has fallen below the figures of a year earlier. Exports averaged about 80 per cent and imports about 72 per cent. The trade surplus remained substantial, but the total trade continued to decline. Increased exports to Great Britain were in line with the Ottawa agreements, but British imports declined and their true significance was obscured by calculating the pound sterling at its old parity. Recently *The Annalist* published its estimate of the Canadian balance of payments in 1932. Against foreign obligations of $271,000,000, it set the exact equivalent in the sum of $82,000,000 trade surplus, $62,000,000 gold export and $127,000,000 tourist expenditures.

Grain prices were about 20 cents lower than a year ago. In the first six months of the crop season, Canada exported 48 per cent more wheat in volume than in 1931-32, but the increase was only 32 per cent in value. The results of denying British preference to Canadian grain not shipped from Canada have not been entirely as expected. The question of preference on the second test cargo which went from New York in the S. S. Britannic was referred to London by the Liverpool authorities and preference was refused, apparently because the grain had been stored in New York while in transit. The port of Vancouver, B. C., has profited greatly by this ruling, but the Canadian Atlantic ports have not done so well. From mid-December to the end of January they handled 3,439,000 bushels of Canadian grain, while the American Atlantic ports, whose exports of Canadian grain were excluded from the British market, handled 5,082,000 bushels.

The long-awaited Canadian Tariff Board demanded in the Ottawa agreements was created on Feb. 6. The chairman, Justice G. H. Sedgwick of the Ontario Supreme Court, was welcomed, although regarded as inexperienced in commercial matters. The vice chairman, Milton Campbell, Progressive member of Parliament from Mackenzie, Saskatchewan, was regarded as a political appointee by both Conservatives and Liberals. The third member, Charles Hebert, has had ten years of experience in the wholesale grocery business in Montreal, but struck many observers as being young for so responsible a position.

The behavior of the South African pound in swiftly declining from gold parity to about the level of sterling affected London sentiment toward the Canadian dollar, particularly in the light of increased Anglo-Canadian and decreased Canadian-American trade. On Feb. 1 the Canadian dollar fell to 20 per cent below the American in London and 18½ per cent in New York. It recovered slightly, but stood at about 83 cents in New York during most of February. About $4,000,000 in gold was sent from Canada to the United States. The Dominion Govern-

ment succeeded pretty well in putting a quietus on talk of inflation by pointing out that increased taxation would be the only way to meet foreign obligations.

The railway situation remained doubtful. The Senate repudiated a merger of the two systems and the Canadian Pacific Railway opposed the proposed joint arbitral board.

J. H. Thomas, Secretary of State for the Dominions, announced in London on Feb. 22 the creation of a royal commission to examine into Newfoundland finance. Lord Amulree was to act as chairman, with two Canadians to assist him—Sir William Stavert of Montreal, nominated by Newfoundland, and C. A. Magrath, nominated by Canada.

BRITAIN'S ECONOMIC DECLINE

The recently prevailing mood in Great Britain has been one of systematic self-reassurance, but this has not been supported by events. The Board of Trade has calculated that the 1932 deficit in the total relation of British expenditures and receipts was £59,000,000. The January trade figures showed a decline in exports, both from the previous month and from the corresponding month in 1932. Imports amounted to £54,124,000 (£62,149,000 in 1931); exports, £33,395,000 (£36,362,000); deficit, £20,729,000 (£25,787,000). Unemployment rose by 179,778 to 2,903,065, and the increase was not entirely owing to seasonal changes. The transfer of many of the unemployed from insurance benefits to poor law relief was seriously straining local government bodies, and on Feb. 17 Liverpool sent a delegation to London to seek assistance in its increased responsibilities.

These signs of a continued deepening of the economic depression were somewhat obscured by the success of the Treasury and the Bank of England in repurchasing more than enough gold to make up for the December payment to the United States. These operations, carried on through the exchange equalization account, reflected the characteristic seasonal rise in sterling as accentuated by the banking crisis in the United States. The government in its successful efforts to keep the pound at about $3.40 had to buy dollars, with which it in turn bought gold and thus replenished with gold both the exchange equalization account and the Bank of England. It was suggested in some circles that, apart from the necessity of having gold to meet any later seasonal decline in sterling, the government may also have had in mind the possible settlement of the war debt to the United States by a lump sum payment. The official explanation made by Neville Chamberlain was that they were trying to avoid being at the mercy of "large sums of foreign money, which are bad money in the sense that we cannot rely on retaining them."

Belief in the evils of the gold standard showed some signs of becoming an article of popular economic faith, as repeated official statements denied any intention of a return to it in the near future. Neville Chamberlain's creed that "sterling is more stable than gold as a measure of value" was generally believed, for it was corroborated by a continued slight decline in prices. In fact, British defenders of the gold standard were in complete retreat, leaving the traders, who want a cheap pound, in command of the situation.

The conferences between Sir Ronald Lindsay and the Cabinet over the war-debt situation were prolonged and brought an end to public announcements as to what Great Britain would or would not do. Negotiations with the incoming American administration were initiated. The great problem was to find some items with which to bargain. The proportions of Anglo-American trade were almost 5 to 1 against the United Kingdom. Its tariff barriers were almost negligible compared with those of the United States. Some

hope of a revision of the Ottawa agreements was raised when the Canadian Minister at Washington also conferred with President-elect Roosevelt, but it was difficult to see how such revision would greatly alter Anglo-American economic relations. The situation was resolving itself into a search for a symbol of concession by Great Britain in return for a new debt settlement. One outstanding result was a growing determination to make the World Economic Conference produce some scheme or other calculated to revive international trade in something besides bullion.

The estimates preliminary to the annual budget forecast little in the way of economy. Reduction in the civil estimates reflected little more than the transfer of some of the relief for unemployment from central to local authorities. On the other hand, the three fighting services were anxious to end the economies of 1932. The navy put the complete 1931 building program into effect and the prevailing governmental sentiment, in the light of the failure of the Disarmament Conference and of events in the Far East, was that the reduction in British defense expenditures during the past three years was poor policy.

AN IRISH FIVE-YEAR PLAN

President de Valera of the Irish Free State and his Cabinet, since their success at the polls, have pretty well confined their public program to plans for "a Christian social order," not communistic, as they have been careful to explain, but along the lines suggested by Pope Leo XIII and the present Pope. Viewed from outside, their schemes for an economic council and a five-year plan looked like an Irish variety of the prevailing economic nationalism, but internally they really involved an economic and social revolution. In order to become economically self-sufficient, Ireland must change from being a country of landlords, cattle-raisers and a few manufacturers for foreign markets, with a supporting peasantry, to a country of small holdings, small-scale manufacture and small business. "Frugal comfort for many" was the award which de Valera held out for those who would work hard for it.

The problem of internal order seems to have diminished. Just after the election the White Army was somewhat aggressive in its recruiting proposals; but later in the month a number of rather dramatic resignations indicated that the movement was subsiding. The Irish Republican Army continued to exert pressure on the President and he appeared to yield them a scapegoat by removing General Owen O'Duffy from his office as Commissioner of Police. General appeals for unity to the old (Protestant) Unionists and to Ulster were made by de Valera, but in the nature of things these could be gestures only.

Resignedly the country awaited revelation of the economic and financial situation. External trade fell by £19,000,000 in 1932 and unemployment increased ominously. The budget deficit was reported to be £7,000,000, or about 30 per cent of the cost of government. The retained annuities, amounting to £4,500,000, could be applied to reduce this. No one believed that they would be paid to Great Britain, but there were a few indications of forthcoming Anglo-Irish negotiations. The country has been financed by Treasury bills, but the government must soon resort to public loans.

AUSTRALIA'S RECOVERY

Australia's remarkable recovery from her economic and fiscal ills was signalized at the beginning of February by a further step toward normal finance. The Federal Loan Council, meeting in Melbourne, agreed with the Commonwealth Bank that the Federal and State Governments would stop financing public works by means of Treasury notes and after June 30 turn to the open market for their

needs. During the reconstruction some £90,000,000 in Treasury bills provided a "cushion" for the governments, much as has been the practice in Great Britain and the United States. Now that the Premiers' plan has succeeded, this amount will be reduced. Owing to the world decline in commodity prices, this enormous expansion of public credit was not reflected in a rise in Australian prices.

THE NEW ZEALAND POUND

In New Zealand the recent devaluation of the pound at the demand of the farmers has seriously divided the people. One of the chief criticisms has been that it has violated the spirit of the Ottawa agreements not to increase tariffs. This has been borne out by renewed Canadian protests over the importation of New Zealand butter.

SOUTH AFRICAN POLITICS

South African politics were tempestuous and confused during the February session of the Union Parliament. Violent personal exchanges between General Hertzog and General Smuts and their followers were aggravated by a serious split in the Nationalist government, which had been sustained by the vote of confidence of Feb. 1. Tielman Roos was unable to reach an understanding with either of the major parties. This intolerable situation inevitably produced negotiations for coalition. General Hertzog, acting independently of his party caucus, wrote to General Smuts on Feb. 14 outlining seven almost completely acceptable conditions for a National government. The personal antipathy between the two old leaders made negotiations difficult, but it was believed at the end of the month that sufficient agreement had been reached to allow dissolution of the present Parliament and a general election in July.

QUIET IN INDIA

The Indian scene has remained quiet during the consideration of the new Constitution. In England the reactionary Conservatives, in their own associations and in Parliament, have tried unsuccessfully to delay or alter the reforms, and the nature of this opposition has tended to make Indian opinion value more highly the concessions which have been made. In spite of some pressure for Gandhi's release, he has remained in prison, the reason being that he has declared that if released he would immediately devote all his talents to stimulating the civil disobedience movement. His wife was arrested on Feb. 4 for illegal political activities and sentenced to six months' imprisonment. On Feb. 26 the government of India reaffirmed its attitude to the Congress party and its civil disobedience campaign by proscribing the March meeting in Calcutta of the All-India National Congress.

GOLD IN KENYA

The native evictions from the newly discovered gold fields in Kenya were vigorously discussed in England by public and Parliament early in February. In spite of castigation of both the Kenya and British Governments, the British Parliament adopted a motion approving the eviction of 300 native families, in an area of 1,000 acres, on Feb. 8. Sir Philip Cunliffe-Lister, Secretary of State for the Colonies, defended the policy and said that its effects had been greatly exaggerated. The issues involved were far-reaching, however, and deep differences of opinion were expressed, particularly as to the prospect of Kenya producing another Rand with all its industrial accompaniments.

Fı. ıce Debates Taxation

By GILBERT CHINARD*

THE Daladier Cabinet, the French Government which succeeded that of Paul-Boncour, defied the prophecies of a very short life and during the first month of its precarious existence successfully weathered all parliamentary storms. M. Daladier's declaration of policy, dealing particularly with the financial situation, was favorably received by the Chamber and was approved by a vote of 370 to 200. Although refusing to endorse officially the program of the new government, the Socialists and their leader, Léon Blum, felt inclined to support it "with reservations," while M. Herriot during the discussion gave the government the full support of the Radical Socialist party.

The Cabinet took office in an atmosphere of discontent and criticism. Following a recent speech of Joseph Caillaux, André Tardieu, who had remained silent since last Summer, called for radical reforms in a public lecture widely reproduced in the French press. He pointed out that owing to parliamentary instability the republic had been governed by no less than ninety successive Cabinets during the sixty years of its existence; that four-fifths of the taxes were paid by 60,000 citizens and, insisting on the desirability of closer cooperation between the Parliament and the people, suggested a system of referendum and longer terms for members of Parliament. A few days earlier, in a letter printed in *L'Action Française*, the Duc de Guise, Royalist leader and pretender to the French throne, had attempted to inject himself into French politics. Addressing the veterans, public employes and taxpayers, he called attention to the defects of the Republican régime. This appeal does not seem to have caused any particular uneasiness to the government, but President Lebrun at the annual dinner of the Republican newspaper men recognized that the budgetary situation of France was very serious and that the deficit demanded immediate attention and rigorous reform.

With strong emphasis on the financial crisis, the Daladier Cabinet introduced a bill calling for a total saving of $222,640,000, of which $96,680,000 was to come from a reduction in expenses, $106,720,000 from new taxes and redistribution of existing taxes and $19,240,000 from other sources. In this project a temporary reduction in salaries above $800 was to provide $18,360,000, while it was hoped that more efficient collection of the existing taxes, evaded by a large number of taxpayers, would yield a substantial amount. But it was frankly admitted that the greater part of the proposed reduction would have to be provided by a reduction of govern-

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mental expenditures. The totals presented were a compromise between those of the two preceding Cabinets—somewhat more drastic than the project of Germain Martin and somewhat less so than the bill submitted by M. Chéron.

The Cabinet adopted a cut of $25,520,000 in military and naval expenditures proposed by the Finance Committee of the Chamber and allowed a reduction of $10,000,000 from salaries and pensions. In the preamble to the bill it was explained that the details of the plan could not be discussed immediately, but that the object was to wipe out the greater part of an estimated deficit of $240,000,000 with a minimum of new taxation.

The discussion on the budget proposals in the Chamber began in a conciliatory manner. Léon Blum, the Socialist leader, declared that he would not bring forward the proposals he had prepared as an alternative to the provisions of the Chéron bill, and the measure was adopted without essential modifications. It was sent to the Senate on Feb. 14 and there met with more opposition. The Finance Committee of the Senate took particular exception to the reductions proposed in the military and naval budgets, which were considered as seriously endangering the security of France. These particular provisions of the bill were rejected by the Senate, without entailing the fall of the Cabinet, since the issue had not been made one of confidence. The bill was sent back to the Chamber of Deputies, whose committee insisted upon the original proposal, and then returned to the Senate practically as it stood at first. Upon assurances by M. Daladier that the efficiency of the army could be maintained, and after a long discussion, the Senate by a vote of 180 to 118 affirmed its confidence in the government and approved the $20,000,000 reduction in military expenditures.

Meanwhile the government had been harassed by protests from many quarters. The recently formed taxpayers' association has become very active, holding frequent meetings and sending delegates to the government to protest against any increase in taxation. Associations for woman suffrage have passed resolutions endorsing the old principle of "no taxation without representation" and have threatened to refuse to pay taxes unless women were granted the vote. An organization known as the Union of Economic Interests, boasting of the support of 700,000 merchants, protested against fiscal inequality and excessive public expenditures. As a further protest the members closed their shops for a day. This strike of the shopkeepers of Paris caused very little inconvenience.

A few days later different organizations of government employes undertook to carry out a similar protest. Among these were the unions of postal workers, telegraph employes, public transport workers and elementary school teachers. The strike, which lasted from ten minutes to one hour, took place without incident or serious interruption of the public services; in schools the children simply enjoyed a recess of an hour and a half instead of an hour, while the teachers were holding special meetings; in the telegraph offices the strikers had assigned some of their members to take care of emergencies. On the whole it was one of those "gestures" in which the French people have always delighted, but it gave the unions a chance to perfect their machinery and to realize their strength. On the other hand, several associations of public servants which are not organized in unions, particularly the secondary school teachers who form a sort of aristocracy, took this opportunity to reaffirm their loyalty to the government.

It cannot be denied, however, that the French taxpayers, who for the past ten years have accepted almost passively the steady annual increases in government expenditures and taxes, have at last grown restive under the

burden and now demand drastic cuts in the budget. A large body of pensioners and public employes, however, are no less decided that the scale of compensation which they have gradually obtained from the government must be maintained. The opposition of these antagonistic interests makes M. Daladier's success highly uncertain.

Statistics for foreign trade showed a heavy adverse balance of $40,000,000 for January as a result of the fall of exports and the excess of imports. Nevertheless, the French market has been reopened to American exporters of patent leather. Mass meetings of women's organizations demonstrating against foreign goods in favor of French products do not seem to have affected materially the attitude either of the government or of the public. A somewhat disquieting symptom of economic conditions is apparent in the large decrease of foreign tourists. Statistics recently published by the National Office of Tourism indicate a decline of nearly 600,000 visitors for the year 1932. French shipping men have become decidedly pessimistic. George Philippar, president of the builders committee, has declared that 66 per cent of French tonnage is laid up and has asked for governmental subsidies to pay the wages of the crews.

Confronted with these pressing problems, the new Cabinet has apparently paid but small attention to foreign questions. Officially M. Daladier has taken no position on the debt, although M. Claudel, the French Ambassador to the United States, did have an interview with President-elect Roosevelt. Both the Cabinet and the Parliament are evidently uneasy at the reported attitude of the American public regarding debt cancellation.

In spite of the government difficulties there seems to be no uneasiness about the financial soundness of the country as a whole. The franc has been remarkably steady; the exodus of gold has continued at a slow rate, but the ratio of reserve cover has remained practically unchanged at about 77 per cent. The government was able to float successfully $80,000,000 of postoffice bonds, actually a State loan, and it was hoped that the finance bill would be adopted without serious modification.

BELGIAN AFFAIRS

Departing from a long-established policy, the Belgian Cabinet has accepted the principle of direct financial intervention by Belgium in favor of the Congo. A request has been placed before Parliament for credits amounting to about $50,040,000 to be spent largely on the administration of justice, public works and health service. A measure to rescind the decree imposing quotas on imports of automobiles or detached parts was adopted by the government. Quotas will be replaced by a tariff of 35 per cent on all imports, whatever their origin.

After a vigorous discussion in the Belgian Chamber the order of the government forbidding the distribution of the Socialist paper *Le Peuple* in military barracks was approved by 84 votes to 69.

Germany Under the Iron Heel

By SIDNEY B. FAY
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THE elections for the German Reichstag and the Prussian Diet, held on March 5, resulted in a victory for the combined forces of the National Socialists, led by Chancellor Adolf Hitler, and the Nationalists. The results of the polling for the Reichstag as known at an early hour on the morning of March 6 were as follows:

Party.	Votes polled.	Seats.	Gain or Loss of Seats.
National Socialists...	17,300,000	288	+93
Nationalists	3,100,000	53	+ 3
Social Democrats....	7,000,000	118	— 3
Communists	4,800,000	81	—19
Centrists and Bavarian People's Party...	5,500,000	91	+ 3
Scattered	1,347,000	17	— 4
Total..	39,047,000	648	+73

In the Prussian Diet election the final tabulation of votes cast showed on the morning of March 6 the standing of the parties as follows:

	Vote.	Percentage.
National Socialists....	10,333,000	43 0
Nationalists	2,158,000	9.0
People's Party ...	242,000	1
Christian Socialists....	215,000	1
Centrists	3,367,000	14
State Party.......	164,000	0.7
Socialists	3,952,000	16.5
Communists	3,131,000	13.0
Scattered	449,000	1.8
Total vote..........	24,008,000	

Thus, in the words of Frederick T. Birchall, correspondent of *The New York Times*, "suppression and intimidation have produced a Nazi-Nationalist triumph. The rest of the world may now accept the fact of ultra-Nationalist domination of the Reich and Prussia for a prolonged period with whatever results this may entail." What these results may be were indicated in an Associated Press dispatch which said: "Germany now is well on the way to a Fascist dictatorship. Chancellor Hitler, by the vote of the people, has received the legal tools to annihilate the last vestiges of the democracy, which he considers a failure."

Among the outstanding features of the polling for the Reichstag was the increase of the Nazi vote to 44 per cent of the adult population, or 11 per cent over that of Nov. 6 and 6½ per cent over the high-water total of July, 1932. The Nationalist vote increased barely 1 per cent. Hardly less sensational was the gain made by the Nazis at the expense of the Catholics in Bavaria, where they beat the People's party by about 600,000 votes. In Cologne, the Catholic capital of Germany, the Nazis came within an ace of seizing control. On the other hand, the Social Democrats appear to have held their ground very well, for their vote was almost as large as in November last and they have 118 seats in the new Reichstag. The Communists received about 1,000,000 votes less, but the fact that they were able to poll 4,800,000 votes and obtain 81 seats indicates that the German militant workers still constitute a formidable element for Germany's dictatorship to deal with.

The five weeks preceding the Reichstag election were marked by a series of progressively severe measures by the Hitler Cabinet, calculated to handicap or intimidate not only the Communists but also the Social Democrat and Catholic Centrist parties in the elections and thereby secure a victory for the National Socialists. By ruthlessly suspending newspapers and

suppressing meetings of the opposing groups, Hitler and his followers, at last in power, seemed bent on establishing something like a Fascist State. President von Hindenburg meanwhile appeared to be giving a free hand to Hitler and his associates in their measures aimed at perpetuating their rule. Some observers in Germany suggested that the aged President was beginning to weaken in the stanch independent attitude which had characterized him hitherto.

The last remnants of Prussia's autonomous rights as a Federated State were wiped out by President von Hindenberg on Feb. 6 when he signed a decree appointing Vice Chancellor von Papen to be Reich Commissioner for Prussia, with complete ministerial powers. This enabled Colonel von Papen to cast the vote which resulted in the dissolution of the Prussian Diet on the same day. This body had hitherto been a bulwark against National Socialism and had refused to dissolve. But under the Prussian Constitution authority to dissolve it lay in the hands of three officials—the President of the Prussian Diet, the President of the Prussian Council of State and the Prussian Premier. The first of the three, Hans Kerrl, was a National Socialist, but he was in a minority so long as Otto Braun, a Social Democrat, retained power as Prussian Premier. With Braun's displacement by von Papen, the latter was able to overrule the third man, Dr. Conrad Adenauer, and order the dissolution of the Diet as desired by the National Socialists. Prussian elections were then set for March 5, the same day as the Reichstag elections, the National Socialists hoping to get control of both bodies.

President von Hindenburg's decree was regarded as running counter to the decision handed down by the Federal High Court on Oct. 25, 1932, and an appeal against the decree was at once lodged by Otto Braun before the court. Bavaria also protested, fearing that a similar invasion of her State rights might be attempted. Bavarian newspapers attacked the decree as unconstitutional and as tending to destroy the structure of the Federal Council itself. Under the Federal Constitution the Federal Council has a legislative function, representing the interests of the States as against the Federal Government on the one hand and the Reichstag on the other. Prussia has 27 of the 68 votes in the Federal Council, and 14 of Prussia's votes are directly instructed by the Prussian Cabinet. These fourteen votes are now controlled by Commissioner von Papen, in other words, by the government of the Reich.

The Reichstag's Standing Committee on Parliamentary Rights had to be adjourned on Feb. 7, because Nazi members refused to permit Paul Loebe, its Social Democratic chairman, to proceed with business, on the ground that he had attacked Hitler in a recent campaign speech. Cries of "Swine!" interrupted every effort of Loebe and his colleagues to speak, until the session had to be abandoned. A week later the committee's effort to meet and proceed with urgent matters was again interfered with in similar fashion by the Nazis. Loebe then drew up a formal protest to present to the President of the Reichstag, but as this person happened to be Dr. Hermann Goering, one of the most vigorous agents in destroying opposition to the National Socialists, there was little likelihood that the protest would receive any attention. The sole body thus left to maintain the continuity of the prerogatives of the Reichstag virtually ceased to exist.

The newspaper *Vorwaerts,* the official organ of the Social Democratic party, was confiscated on Feb. 3 by order of the police under Hermann Goering and barred from publication for three days. The only ground for the action was that the paper had published an election manifesto in which it had used such expressions as "Rise and Fight," expressions which

are commonplaces in the vocabulary of all the German parties and have been very frequent in the National Socialist papers themselves in the past.

Three days later a stringent decree was issued by President von Hindenburg against circulating any printed matter tending toward violence, strikes, disobedience to the government or holding up to contempt any government official. For a first offense a newspaper might be suspended for four weeks, and for a second offense for six months. Any foreign newspaper printing matter that would make a German paper liable to suspension might be barred from circulation in Germany for six months. The administration of the decree was vested in the respective State governments, but if the latter refused to act the Reich Minister of the Interior might carry the case to the Supreme Court.

In the following weeks this decree was invoked freely against all Communist papers, which thus were virtually put out of existence during the weeks before the election. Even moderate papers like the Centrist *Germania* were temporarily suspended. As a result, the whole press of Germany, with the exception of the National Socialist and Nationalist papers, were much restricted in their freedom of expression and in their appeals to their constituents during the election campaign. The radio also was restricted as a monopoly for the use of the Hitler Cabinet and its partisans in making campaign speeches.

Literary circles in Germany were amazed to learn on Feb. 16 that three of the most prominent members of the Prussian Academy of Art—Heinrich Mann, novelist and elder brother of Thomas Mann, Frau Käthe Kollwitz, painter of proletarian scenes, and Dr. Martin Wagner, architect—had been virtually expelled from that distinguished body under National Socialist pressure. Faced by an open threat from Dr. Bernhard Rust, newly appointed Prussian Minister of Education, that he would dissolve the literary section of the Prussian Academy unless they were dismissed, Mann and Frau Kollwitz resigned voluntarily rather than impose on their colleagues the unpleasant alternatives of voting for their expulsion or standing by them and thereby making the considerable financial sacrifice which they would sustain by the loss of their official positions as members of the academy. Dr. Rust based his demand for the dismissal of Mann and Frau Kollwitz on the ground that they had recently signed a public petition appealing for a united front of the Social Democratic and Communist parties "that Germany should not sink into a state of barbarism."

A few days earlier Hermann Goering, Prussian Minister of Interior, dismissed twenty-four provincial Governors and police chiefs in various parts of Prussia and replaced them by members of the National Socialist party. Most of those dismissed were Social Democrats, the Nazi newspapers declaring that it was necessary to "cleanse the administration of Marxist elements." Later in the month he ordered the Prussian police to use firearms ruthlessly against Communist acts of terrorism, but to assist election campaign demonstrations of the government parties.

The Reichstag Building on Feb. 28 was nearly destroyed by fire. The great glass-ceilinged central portion, in which Parliamentary sessions are held, was burned out, but the valuable legislative library and other rooms forming the outer square of the building were saved by the efforts of the firemen. The loss was estimated at nearly $1,500,000. It will be some months before it can be repaired for use. As it has been suggested that the new Reichstag may be adjourned for a long period, the problem of another meeting place would not appear to be important.

The fire was alleged to have been the work of Communists. The police

reported having seized a man who was escaping from the building just as the fire broke out and who, they declare, confessed that he is a Dutch Communist and admitted his guilt. His name was given as Van der Luebbe. Whether he had any German Communist accomplices was not at once established, though that he had was loudly asserted by the National Socialists and made the excuse for wholesale arrests of Communists and a search of their houses and buildings.

That the German Communists could be so stupid as to play directly into the hands of their opponents by such an act of vandalism must be a matter for wonder. Moreover, it is a well-known tenet of Moscow leaders that individual acts of terrorism are useless, the best principle being first to attain power and then apply terror of really wholesale proportions. It was suggested by some persons that the perpetrators of the outrage hoped that the fire would be attributed to the National Socialists and that the odium of it would fall on them on the eve of the Reichstag election. By others it was suggested that the purpose was similar to that behind the "Zinoviev letter," the publication of which played a large part in the overthrow of the first Labor government in Great Britain in 1924.

On the supposition that the fire was the work of Communists, the Hitler Government, through a decree signed by President von Hindenburg, issued a sweeping order suspending all constitutional provisions guaranteeing personal liberty, freedom of the press, secrecy of the mails and the right to hold meetings and form associations. It virtually approached a declaration of martial law, such as is issued only in time of war or revolution. It also authorized the government of the Reich to seize executive power in any German State whose government failed to take "the necessary measures for the restoration of law and order." All the Communist papers throughout Germany and all Social Democratic papers throughout Prussia were suspended from Feb. 28 until after the elections on March 5. All suspected Communist places of meeting were closed and several hundred Communists were arrested and imprisoned, including nearly all the Reichstag members of the party.

NEW STANDSTILL AGREEMENT

The governors of the Bank for International Settlements at Basle on Feb. 12 declared that recent German official statements had calmed apprehensions of radical changes in Germany's credit policies and that the bank had therefore decided to renew the Reichsbank credit of $86,000,000.

A few days later the prolonged negotiations of the representatives of foreign bankers with German debtors came to a successful close with the adoption of a new "standstill" agreement. This will run for one year from Feb. 28 and covers credits totaling about 3,700,000,000 marks (about $880,600,000), of which it is estimated that 40 per cent is owed to banks in the United States. In its essential provisions the renewal follows the procedure laid down in the German credit agreement of 1932, except for a small lowering of the interest levels, in return for which the Germans agreed to a 5 per cent reduction of the credits. The lower interest rates are expected to make a saving for the debtors of from 30,000,000 to 50,000,000 marks (from about $7,140,000 to about $11,900,000), while the reduction of credits will limit transfers of foreign exchange to about 20,000,000 marks (about $4,760,000) for the year.

DUTCH NAVAL MUTINY

Before dawn on Feb. 5 the native crew of 400 on the Dutch warship De Zeven Provincien mutinied and seized the vessel in a port of Northern Sumatra, in the Dutch East Indies, while the captain and most of her Dutch officers were ashore. The nine remaining officers were handcuffed

at the point of guns, and the mutineers steamed away in the darkness on a defiant but short-lived cruise.

The mutineers had previously complained that their pay had been cut 17 per cent, while the pay of the Dutch seaman had been cut only 14 per cent. It had been thought that the discontent had been suppressed a few days earlier when forty-five of the ringleaders had been arrested. The news of the mutiny revived charges that Communists had used the depression to stir up unrest in the Dutch East Indies, which had suffered severely from the general decline in world trade. The relatively high standard of living among the Dutch in their colonies had also contributed to a feeling of bitterness on the part of the natives toward their rulers, although the Dutch administration of the colonial dependencies is generally regarded as just, humane and efficient.

A squadron of cruisers and destroyers at once set out from other ports in pursuit of the mutineers, as it was feared that they might try to raid some of the ports. But the mutineers kept to the high seas, steaming eastward to the south of Sumatra, evidently undecided what to do. As their whereabouts was unknown it took several days for the pursuers to come up with the runaway vessel. Finally, after five days, the rebel crew of De Zeven Provincien were discovered by Dutch seaplanes and pursuing ships, which signaled a demand for unconditional surrender. The mutineers replied: "Let us alone." A seaplane then dropped a 100-pound bomb on the deck, killing twenty-two persons and wounding a score of others. Among the killed were three Dutchmen. In a few moments Dutch marines swarmed aboard, seized the remaining rebels, took possession of the runaway ship and the five-day mutiny came to an inglorious end.

In Holland the episode created some alarm lest Communists should make trouble among the seamen at the naval port of Helder in Northern Holland. Guards were doubled, all precautions taken, and several Communist leaders were arrested, but no outbreaks were attempted. With the return of the De Zeven Provincien under her own steam and in charge of her lawful officers the trouble came to an end. Communism in Holland appears to be of rather a tame sort. There are two Communists in the Dutch Parliament—Lou de Visser and David Wijnkoop. The latter was recently discredited by Moscow. However, the "cell" system has gained some hold among the working classes, especially at the naval station of Helder, where seditious pamphlets and tracts have been smuggled into the barracks. As already noted, the man alleged to be implicated in the setting fire to the German Reichstag Building was reported to be a Dutch Communist by the name of Van der Luebbe.

The Dutch Cabinet was defeated by a vote of 51 to 38 in the lower house of the States General on Feb. 9 on a proposal to effect economies in the judicial and penal establishments. Queen Wilhelmina hurried home from her holiday in Switzerland, dissolved Parliament, and ordered new elections for a fresh Parliament which is scheduled to meet on May 9.

The Struggle for Power in Spain

By WILLIAM E. LINGELBACH
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THE Spanish Cortes was again in session during February after a recess of one month. Immediately the opposition to the Azaña Socialist régime manifested itself in a vigorous attack by Señor Lerroux, the leader of the Radical Republicans. As reported in *El Sol* on Feb. 5, he accused the government of sacrificing the interests of the rest of Spain to those of the industrial proletariat. It must be recognized, he said in substance, that there are two organizations of workers, but the Socialist party has by its legislation served the interests of one at the expense of the other. As a result the value of agricultural property and of all commercial enterprises has greatly decreased, industries are running at less than half capacity and the number of unemployed is increasing. These, in turn, are not adequately cared for, while a surplus of small farmers is being created by the agrarian measures.

The government's arbitrary policy of repression, especially against the press, Señor Lerroux further pointed out, has created a spirit of hostility and resentment throughout the nation. Furthermore, by accepting power from the hands of a group of parliamentary minorities, the Ministry has destroyed the constitutional prerogatives and guarantees. Distrust and open hostility have replaced the confidence once enjoyed by the republic. "If," Señor Lerroux concluded, "you have divorced yourself from the public conscience, * * * if you are unable to straighten out the ship, then you have only one obligation—to resign."

Premier Azaña defended his policies with much spirit, and after a pro longed debate of three days the Corte adjourned amid the threats of the Op position groups that unless the Min istry resigned they would resort t obstructionist tactics. While the de bate did not lead to a test vote, i was apparent throughout that th government's majority remained in tact. This was again demonstrate on Feb. 24 when the Ministry wa sustained by a vote of 173 agains 130. Apparently Azaña's comman of his parliamentary majority i secure. Whether this is true o the nation at large is doubtfu For the moment, at least, there i no disposition to raise the issue b dissolving the Cortes and holdin Parliamentary elections at the time o the municipal elections in April.

Supporting the arguments of th Opposition, the Employers' Confedera tion has presented a memorial to th government complaining of the arbi trary changes and erratic social pol icy of the Minister of Labor, the dif ficulties of the mixed commissions i the settlement of labor disputes an the constant threat of strikes b workmen if decisions are not in thei favor. In the Estremadura region which extends from Madrid to th Portuguese border, the peasants, tire of waiting for the promised distribu tion of land, have been seizing i themselves. In many cases the seizur of the estates is carefully planned be forehand and connived at, if no openly assisted, by the local officials For the most part, the Mayors of th towns are Socialists and in sympath with the peasants and have therefor made very little effort to expel th

squatters despite the protest of the owners. In a petition to the government the Cattle Breeders' Association pointed out the destructive effect of the movement upon the cattle industry, the decrease in land values and the serious falling off in the payment of taxes.

Other phases of the government's policy used as targets by the Opposition were the Soviet oil and the American telephone monopolies. Deputy Eduardo Ortega y Gasset led the attack, declaring that other countries like France, Italy and Argentina had obtained more favorable contracts. Since the Soviet oil contract expires next year, and since those with the Rumanian Company and with the United States Petroleum Export Association were not renewed, the dispute is of considerable significance to petroleum interests in general. Indalecio Prieto, the Minister of Public Works, in particular was under constant fire during the debates. His improvement program for Madrid involving 800,000,000 pesetas (at par the peseta is worth 19.29 cents), was denounced as unnecessarily extravagant. "Soon," his critic declared, "Madrid will have to change its name to Prietrograd."

The trials for treason of the political exiles brought back from Villa Cisneros resulted in many of them being acquitted. At the same time, an order was issued warning those who had escaped to present themselves in Madrid by Feb. 24. Count Romanones made a desperate effort to retain his lands against the provisions of the expropriation measure that all persons who had the privilege of appearing in the presence of the King with head covered belonged in the grandee class whose lands were declared subject to confiscation by the laws of the republic. Count Romanones denied having worn his hat in the royal presence, but the Under-Secretary of the agrarian council furnished proof that in 1911, twenty-two years before, he had done so, and the decision for confiscation was sustained, despite the Count's well-known liberalism and his courageous stand against the dictatorship of the old régime. He can still appeal to Azaña and the Ministry.

Labor unrest in Catalonia and the Asturias continued during the month. In the latter region some 27,000 miners went on strike on Feb. 6, claiming that nothing has been done by the republic to relieve their distress. The real difficulty seems to be caused by overproduction. In Madrid Communists stoned the German Embassy, shouting "Down with Hitler!" and later attacked the Peruvian Embassy.

Seville, it was announced on Feb. 11, has been selected as the European gateway for regular Zeppelin service between Europe and the two Americas. Beginning on May 5, Dr. Hugo Eckener will inaugurate a service of eighteen round trips annually with South American countries, another service with New York, and minor ones with Egypt, the Dutch East Indies and Australia. Barcelona has ordered resumption of work on its airport, twelve miles from the city, at a cost of 10,000,000 pesetas. Nevertheless, Spain has so far been backward in aviation. At present it has only one illuminated civil airport—the Tablada Field at Seville. The autogiro recently purchased by the Ministry of War is reported to be the only one in the country, although the inventor of this type of flying machine was a Spaniard, Juan de la Cierva.

ITALIAN ECONOMIC CHANGES

Italy's newly created Institute for Industrial Reconstruction began work early in February. It consists of two sections, one dealing with industrial financing and the other with the demobilization or liquidation of such industries as have no prospect of recovery. Through long-term loans, the institute expects to bring about a thorough economic and financial as well

as technical reorganization of Italian industrial enterprises. Within a week after its organization the institute put out a two-year 4½ per cent bond issue of approximately $50,000,000 for the relief of industries in urgent need of support. Through the banking consortiums, the issue was underwritten before it was formally opened to the public. As in the case of the recent treasury bonds, also oversubscribed at home, a lottery feature was added providing for over $1,000,000 in prizes. The ease with which the loan was taken up is evidence that once confidence is restored there is money available for business revival. The Institute for Industrial Reconstruction completes the program for the control and direction of Italian industry begun by the creation of the consortiums and of the Instituto Mobiliare, and the enactment of the law authorizing the State to prevent the opening of new industrial plants without its consent.

Despite scientific planning along these and other lines, Italy is suffering more and more from the continued world depression. Unemployment has again increased, reaching a high figure of 1,225,000 at the beginning of February. The greatest number of unemployed are found in the building trades and agriculture, which means a further increase of men out of work until the next seasonal upturn in these occupations. Since only about 300,000 receive unemployment insurance, the burden on charity is heavy. The steady decline of world business is also reacting on Italian financial conditions. The net profits of the Bank of Italy for 1932 showed a falling off from the previous year of about $1,250,000. Nevertheless, the usual 10 per cent dividend was paid, since the position of the bank is essentially sound, there being 42.71 gold reserves against sight liabilities at the beginning of the year.

During the month a royal decree indicated that the government plans to push forward its great program of public works with increased energy. About $2,800,000 has been appropriated to supplement the funds voted by the provinces and the municipalities. In Rome a new building is to be erected by the side of the new Ministry of Corporations as headquarters for the Fascist party. Rome and Verona are outstanding examples of the recognition of the needs of thorough regional planning for metropolitan areas. Much-needed new arteries of traffic are being constructed, while old thoroughfares are being straightened and broadened in the effort to relieve congestion and adapt the cities to modern demands. Historic monuments and the old sections of the cities are, however, preserved as far as possible, while links are formed with surrounding regions to create larger metropolitan areas. Thus the beautiful hills of Verona are being connected with the city park and street system, just as the hills, and even the sea, come into the plan for a greater Rome with its rapidly increasing population. In these extensive programs of renovation and building, conflict arises constantly between the old and the new. The modern utility architecture imported from Holland and Germany is strikingly at variance with the classical atmosphere and traditions of Italian architecture. Fascism is still feeling its way toward a style of its own. According to its adherents, it must combine energy, driving force and the will to act with the spirit of the great epochs in Italian history.

Another feature of the public works program is the project for the electrification of the national railroads and the completion of the great system of automobile roads. The electrification plan is to extend over a period of twelve years; 60 per cent of the national railroads will then be electrified at an estimated cost of about $231,000,000. The line connecting Milan with Reggio in the extreme south, via Bologna, Florence, Pisa, Rome and Naples, and that running

from Turin to Trieste and its hinterland, are part of the plan. Electrification carried out in the last decade is already saving 428,000 tons of coal imports.

The friction with France continues despite Henry de Jouvenel's appointment as French Ambassador to Italy. The trial of Professor Eydoux and his secretary, Mlle. Bonnefond, who were convicted on charges of espionage in connection with military secrets on the Yugoslav border, was specially featured in the Italian press at the moment of the French Ambassador's arrival in Rome. His first reception by the Duce was reported to have been cool and altogether formal. Particularly vigorous was the denunciation by the Fascist press of the protest lodged by Great Britain and France at Vienna against the shipment of arms from Italy to Austria. On its part, Italy is questioning the new alliance between Czechoslovakia, Rumania and Yugoslavia and the increased influence the more closely united Little Entente will secure for these powers and their ally, France, at Geneva. (See Professor Ogg's article on pages 111-114 of this magazine.) In the meantime, the celebration in February of the tenth anniversary of the founding of the Fascist militia was made the occasion for the display of much military enthusiasm. In response to the building of the French battle cruiser Dunkerque, Italy proposes to renovate four of her pre-war dreadnoughts, modernizing their armament and machinery.

Work on the remodeling of Castel Gandolfo, the Pope's Summer residence, overlooking Lake Albano, fifteen miles from Rome, has been progressing rapidly. For two years more than a thousand workmen have been at work preparing the beautiful villa and grounds for occupancy during the coming Summer. In the meantime, on Feb. 15, Marconi personally supervised the installation of the first radiophone between the Vatican and Castel Gandolfo. It is the first wireless telephone based on the use of ultra-short waves. With the approval of the Pope, the inventor plans to make use of the new Vatican radio system for further experiments.

PORTUGUESE AFFAIRS

Further evidence of the working of the Portuguese dictatorship was given during February by the removal of General Vicente Treitas, former Prime Minister, from his post as President of the Municipal Chamber of Lisbon because of his recent criticism of the proposed Constitution that was to be voted upon in March.

A loan of 500,000,000 escudos (at par the escudo is worth 4.24 cents) at 5½ per cent has been announced by the municipality of Lisbon, and according to rumor the government plans to return to the gold standard soon. The news of a large influx of Winter tourists, not a few from England, for a residence of several months to mitigate somewhat the income tax payments at home, again draws attention, not so much to Portugal as a Winter resort as to the close relationship between the two countries.

The Union of the Little Entente

By FREDERIC A. OGG
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FOREIGN MINISTERS Edward Benes of Czechoslovakia, Boske Yeftitch of Yugoslavia and Nicolas Titulescu of Rumania completed at Geneva on Feb. 15 the draft of a convention which, if ratified by the respective States, will, as announced in the official communiqué, transform the Little Entente into a permanent "unified international organization open eventually to other States on conditions to be settled in each specific case." For some time such action has been contemplated and was at last given special impetus, it is fair to assume, by the growing tension between Yugoslavia and Italy, by the open emergence of the latter power at the head of a revisionist bloc which would like to upset the peace treaties and by fresh anxieties stirred by the appointment of Adolf Hitler as Chancellor of Germany.

According to the announcement, the various conventions of 1921 and 1922, on which the Entente rests, will be renewed for an unlimited period and brought together in a single juridical instrument. As a directing organ of common policy, there will be an Entente "permanent council," consisting of the three Foreign Ministers (holding the Presidency in rotation), and assisted by a permanent secretariat, of which one section will function at Geneva, and an economic council charged with "progressive coordination" of the economic interests of the three States. The permanent council is to hold at least three meetings every year, including one at Geneva during the regular annual session of the League Assembly.

The plan calls for far-reaching economic and financial cooperation, in such matters as preferential tariffs and collaboration of central banks. It is, however, most extraordinary in its political provisions which aim at transforming the loose-knit association into an international community having a distinct personality. Every political treaty of each of the three States, every unilateral act changing the existing political situation of one of the States in relation to an outside State and every economic agreement having important political bearings will, if the scheme is adopted, henceforth require unanimous consent of the permanent council of the Entente. It is even provided that treaties already existing between Entente States and outside States, shall, as far as possible, be progressively unified. Express recognition is given the general principles of international action embodied in the covenant of the League of Nations, the Pact of Paris, the Locarno pacts and other major international political instruments of the post-war period, by which, it is asserted, all common policy contemplated in the new arrangement ought to be guided.

The next meeting of the Little Entente is scheduled to take place at Prague in May and it is expected that by that time the project for closer and more permanent organization will have been ratified by the three States, the Yugoslav Skuptschina having already done so on March 1. One significant effect of the move, among others, will undoubtedly be to block Italy's recent efforts to detach Rumania from her Entente affiliations.

THE HIRTENBERG ARMS AFFAIR

The "Hirtenberg arms affair"—involving the alleged transshipment into Hungary of rifles and machine guns, supposedly of Italian origin, from the Hirtenberg munitions factory in Austria—continued during February to produce serious international repercussions. On Feb. 8 Foreign Minister Benes of Czechoslovakia reported to the British Government that the shipment was more than three times as large as originally believed. As spokesman for the Little Entente, he demanded an immediate investigation by the League of Nations or a full inquiry by the British and French Governments. Belgrade and other newspapers joined in the demand. Hungary's insistence that she knew nothing about the affair, and Austria's explanation that she allowed the transaction to take place in order that her unemployed workmen might have the benefit of repairing the guns before they were sent on from Hirtenberg, naturally failed to be accepted as satisfactory.

Great Britain and France followed up the matter by making pointed inquiry in Vienna, explaining that their object was to save Austria from being haled before the League by the Little Entente. This awakened great indignation not only in Vienna but in Rome, Budapest and Berlin. The first impulse in the Austrian capital was to make a sharp written reply, and a document of such character was actually drafted by Chancellor Dollfuss. After interviews, however, between representatives of the government and the British and French Ministers, the Cabinet, supported by the principal committee of Parliament, decided that it would be more expedient to meet the British and French inquiries in a spirit of conciliation, particularly since to do otherwise would undoubtedly jeopardize the French loan, upon which Austrian reconstruction depends. The upshot was that the entire affair was discussed amicably, the Chancellor promising that those portions of the shipment still held at Hirtenberg would be returned to Italy forthwith. Meanwhile, both Italy and Austria had denied that the arms shipments were the result of any secret agreement between the two nations. In retaliation for the action of the Little Entente, Italy published in *Il Giornale d'Italia* on Feb. 25 what purported to be clauses of secret treaties which provide, under certain conditions, for the occupation of Hungary by the forces of the Little Entente. As a sequel to the episode, it was reported on Feb. 23 that Egon Seefehlner, general director of the Austrian State Railways, had been suspended from office for attempting to bribe the railwaymen's union to smuggle the guns across the Hungarian border over a branch line.

Although Foreign Minister Kanya of Hungary was asserting at this same time that the affair was entirely at an end, there were plenty of indications that it was not to reach such an easy conclusion. The States of the Little Entente remained keenly dissatisfied, believing that Austria is systematically playing an active part in arming their enemies. Charges that, with the connivance of the Austrian Fascist Heimwehr army, Hungary is planning war, persisted in the French press. Apparently the affair might yet receive a general airing at Geneva.

Meanwhile, in a statement to Parliament on Feb. 23, Premier Gömbös of Hungary discounted recent alarming rumors of war in Southeastern Europe. Hungary, he declared, is not tied to Italy or committed in any direction. She desires revision of the peace treaties, but only by peaceful means. She believes in economic cooperation in the Danube basin, which indeed cannot exist without her cooperation. The new Little Entente pact, he asserted, being mainly economic, was not a cause for alarm.

By the death of Count Albert Apponyi at Geneva on Feb. 7, Hungary

lost her "grand old man" and Europe one of its most colorful and influential public figures. Though 86 years of age, and much enfeebled, the Count up to the end headed the Hungarian delegation at the Disarmament Conference. The funeral ceremony at Budapest on Feb. 14 is described as the most imposing held in that city since the burial of Louis Kossuth forty years ago.

THE POLISH PRESIDENCY

Poland is now approaching a change of considerable moment. President Moscicki's term of office expires on May 31, and, desiring to return to his laboratory, which interests him more than statecraft, he will not, it is understood, be a candidate for re-election. In canvassing the names of possible successors the press has suggested former Foreign Minister Zaleski, M. Raczkiewicz, present Marshal (Speaker) of the Senate; M. Dmowski, leader of the "Greater Poland" party, and, of course, Marshal Pilsudski. The Marshal would be assured of election if he cared to be a candidate. But he refused in 1926—when M. Moscicki was chosen—and, though the office has since been invested with somewhat increased power and importance, the reasons for his unwillingness then still in the main hold good.

Sentiment has turned to the eminent pianist and former Premier, Ignace Jan Paderewski, as the one man certain to win general support if he could be induced to allow his name to be used. Apprehensions that, if Hitler should remain German Chancellor, relations with that country would become even more strained than at present, gave fresh impetus to the suggestion. When questioned on Feb. 8 at Providence, R. I.—where he had gone for a concert—the musician-statesman, through his secretary, would say only that the rumor of his candidacy was "not news." Some elements of the Opposition have indicated their intention to take no part in the election, on the ground that the Parliament which will make the choice was chosen under government coercion and does not represent the nation's will.

The Polish delegation to the Disarmament Conference at Geneva caused a sensation on Feb. 6 by opposing the French security plan as at present impracticable, and by urging, in support of a proposal by the American Norman H. Davis, that the conclusions of the conference thus far reached be put into treaty form, leaving the French, and presumably also the German, demand for security to be considered later.

MARTIAL LAW IN RUMANIA

Martial law was proclaimed in certain parts of Rumania early in February as a result of labor troubles at Bucharest, in the Prahova Valley and in the Ploesti oil district. Rumor spread that revolution was imminent and that King Carol was likely to lose his throne. Undoubtedly conditions were bad, and the Communists continued diligently to exploit them. The disorders, however, were of purely economic origin, and the government's decisive action brought them promptly to an end. Indeed, the King, having stopped toying with dictatorial ideas, has of late received the full support of the Vaida-Voevode Cabinet and is considered in a stronger position than at any time since the first few months following his return from exile. To be sure, Dr. Maniu, the National Peasant leader, has quarreled with him, and of late has been living abroad. This difference, however, is of a personal, rather than a party, character, springing mainly from Dr. Maniu's dislike of some of the King's friends and favorites. As matters stand, the throne is considered decidedly safer than that of King Alexander of Yugoslavia.

A world oil conference, which met at London on Feb. 20, had as one of its chief objects an agreement on the price and amount of oil to be sold by Rumanian interests in the export

markets for the three months beginning April 1, when the existing agreement with the Rumanians will expire.

YUGOSLAV RELIGIOUS CONFLICT

Recent events in Yugoslavia have brought the religious aspect of the conflict of nationalities once more to the fore. Most of the 560,000 Roman Catholics living in the kingdom are Slovenes or Croats, who thus differ from the Serbs not only in politics but in religion. On Jan. 8 the Catholic Bishops of the country caused to be read in every Catholic church a pastoral letter not only criticizing agitation carried on by the Serb "sokols" (gymnastic societies) with a view to bringing about expulsion of the Jesuits from the land but vigorously attacking the dictatorial political régime at Belgrade. Although a Serb Deputy's bill proposing to separate church and State, confiscate ecclesiastical property and make civil marriage compulsory was denied support by the government on the ground that it was unconstitutional, Minister of Justice Maximovitch was reported to have assured the financial committee of Parliament that no State revenue would be paid over to the Catholic Church in Yugoslavia until further notice. A bill for the expulsion of all Jesuits from Serbia has been placed before Parliament by sixty-four members. Press attacks on the Catholic Church and clergy called forth a protest from the Papal Nuncio in Belgrade.

Scandinavia Fights for Trade

By SIDNEY HERTZBERG

THE expiration of the Swedish-German trade treaty on Feb. 15 and the consequent raising of the tariff on agricultural imports into Germany have completely upset the comparative placidity of Scandinavian commercial life and have created a situation which has the makings of a first-class tariff war. While Scandinavian trade conditions were considerably unsettled by the restrictions attendant upon the Ottawa agreements, it was the breakdown of the Swedish-German negotiations that completed the disruption. Of course the situation may be altered at any time with the changing political scene in Germany. But the recent Reich Cabinets—those that have followed Dr. Bruening's—will not be forgotten easily by the Scandinavian countries for at least one definite accomplishment—they have succeeded in antagonizing these friendly States so completely that they could hardly have done better by design.

The German tariff increases, which were not unexpected, approximately doubled the duty on live stock, meat and lard. In Denmark, where the exporters had enjoyed a profitable German market because of the most-favored-nation clause in the expired treaty, this news was greeted with intense anxiety. It practically meant a complete cessation of trade with Germany involving an annual loss to Danish farmers of from $4,000,000 to $5,000,000. The expected expiration of the German-Yugoslav trade treaty on March 7 will result in further inroads into Denmark's agricultural exports.

Immediately a demand was made for retaliation even to the extent of curtailing imports from Germany by twice the figure by which Danish exports to Germany were reduced. *Dagens Nyheder,* a leading Copenhagen

newspaper, printed a comment which was typical of Danish sentiment: "The policy now pursued by the German Reich will to an increasing degree sever relations with Scandinavia." The only immediate move by the Danish Government was a warning by the Foreign Exchange Office to companies importing German goods that they must prepare for curtailment of mark licenses sufficiently drastic to maintain the Danish-German trade balance on its former level.

In Norway the Foreign Minister officially announced on Feb. 14 that the imposition of tariffs on Norwegian goods that had entered Germany duty free "must force the Norwegian Government to take steps to protect its export industries."

Sweden, with more than 500,000 tons of its shipping lying idle, determined to increase the tariff on luxuries from 10 to 15 per cent. In 1931 Germany sold nearly $2,500,000 worth of such products to Sweden. *Svenska Dagbladet,* a Conservative Stockholm newspaper, blaming Germany for the failure of the negotiations and for "dumping" goods on the Swedish market, asked, "Does Germany want commercial warfare?" The *Social-Demokraten,* official organ of the government, said: "Germany should understand that breaking off trade negotiations calls forth not only surprise but also the possibility of bitter feeling."

The ill will between Scandinavia and Germany was further aggravated by Hermann Wilhelm Goering, German National Socialist Minister without portfolio, when, early in February, he sent a telegram to the editor of the *Göteborgs Handels-och Sjöfarts-Tidning,* an influential Swedish newspaper, protesting against a disparaging reference to Chancellor Hitler. This action was indignantly resented throughout Scandinavia despite Herr Goering's explanation that he had not expected his protest would be printed.

These events have caused Scandinavian merchants to look more longingly toward Great Britain for the satisfaction of their desires. But the outlook in this direction is by no means clear. Early in February, after an interval of six weeks, conferences were resumed between Great Britain and Sweden, Norway and Denmark. (Conversations with Finland were begun on Feb. 13.) In carrying on these negotiations, a novel technique is being employed. Representatives of the industries most interested are given a free hand to discuss their problems, and the various governments, for the most part, merely give their approval to the agreements thus reached. The only result that can be pointed to so far is the understanding, as yet not final, whereby the three countries are to buy more British coal.

For two reasons the agreements are not expected to be as comprehensive as was hoped. First, the retention of the most-favored-nation principle makes tariff reductions inadvisable in many instances. It is pointed out, for example, that the lowering of textile duties in Scandinavia would result in an inrush of cheap lines from Central Europe which would seriously affect the British exports. Great Britain has indicated no disapproval of the most-favored-nation principle and certainly the Scandinavian countries are not anxious to abandon it. But there is a growing feeling that the negotiations would be more fruitful if this principle were set aside.

The second cause of pessimism is the limitation of the negotiations to Great Britain. It is felt that a great deal more might be achieved if some of the dominions were included. It is suggested that if Denmark could make an arrangement with the Canadian wheat growers, its shipments of bacon to the British market might be facilitated. Similarly, Sweden and Canada might reach an understanding on the sale of newsprint.

Meantime, discussion continues on

the possibility of some kind of Scandinavian economic union. The London *Economist* makes the suggestion that there should be "the conclusion between Britain and Scandinavia of a regional agreement—embodying a definite and clear-cut low-tariff basis of trade between the parties—which would be open to adhesion on similar terms by any other country desirous of joining. Such a bloc would be fairly entitled to modify the most-favored-nation principle to the extent of limiting the grant of this special régime to countries which accepted the obligation to impose the same terms on the trade of all members of the group."

NEW NORWEGIAN CABINET

The conservative Coalition Cabinet of Jans F. Hundseid, chairman of the Agrarian party, resigned on Feb. 25 after the Labor and Liberal parties, which command a majority in the Storting, combined in a vote of non-confidence. Johan Ludwig Mowinckel, leader of the Radical party, a group with mildly liberal tendencies, then formed a ministry composed exclusively of members of his own party. He assumed the position of Minister of Foreign Affairs as well as that of Premier. The new Cabinet took office on March 3. Its program includes the dropping of all military service this Summer, a reduction in the installments on the national debt and a 10 per cent increase in the income tax in order to avoid the sales tax which was the direct cause of Hundseid's defeat. The Labor party is expected to support this program.

The Spur to Soviet Policy

By EDGAR S. FURNISS
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COMMUNISM'S peculiar conception of international development has played an important part in shaping Soviet policy, both domestic and foreign. The Communist leaders see a world composed of imperialistic nations whose conflicting ambitions make war among themselves inevitable, and whose capitalist institutions drive them steadily toward an attack upon the Soviet Union. It is this outlook on world affairs which causes the Kremlin to urge forward the Soviet program of social reconstruction at so headlong a pace.

The principle of planned economy does not of itself imply any specific rate of social change. The Soviet economic program might have demanded much more leisurely progress than that laid down in the control figures. A slower pace would have obviated most of the problems which now confront the Communist leaders, for these difficulties have been due to hectic speed rather than to any fundamental flaw in the program. It is this factor in the situation which is responsible for the partial failure of the last Five-Year Plan in the quantities of goods produced, in the qualities of the product and in production costs. Moreover, it is the rate of change rather than the ultimate social purposes of the program which has demanded of the Russian people sacrifices beyond their capacity of endurance, thus straining to the utmost the political control of the nation's rulers. The attempt to vault the nation from its former backward position to the front rank among industrial countries and to revolution-

ize the medieval technique of Russian agriculture, all in the space of a few years, has required an excessive deflection of income from consumption to investment, a prolonged and unremitting strain upon labor, and an abrupt alteration of settled habits and ways of life. The reaction of the people to these conditions is indicated by the increasingly severe measures which the dictators have been compelled to adopt in order to retain their control.

The Soviet leaders have not been oblivious of the hazards involved in their decision to force the pace of socialization. But as they conceive the situation they are working feverishly against time in a race with approaching and inevitable war. Any extensive war would upset the Communist program even if Russia were not a party to it; war involving the Soviet Union would destroy or indefinitely postpone the hope of establishing a Socialist commonwealth, provided in either case that the economic development of the country had not already been carried to the point of national self-sufficiency, and the basic institutions had not been so completely socialized as to suffer no danger of relapse into capitalism. The Five-Year Plan was a desperate effort to establish socialism in the habits of the Russian people and to free the country from dependence on capitalist enemies during a brief and precarious period of peace.

The effort has proved impossible of complete fulfillment within the time limits set for it. This is now acknowledged by the rulers of the country. Statistics of production now available for 1932 give a fairly precise measure of the miscarriage of Soviet plans. Coal output, scheduled at 90,000,000 tons, was actually 62,300,000 tons; pig iron production was 6,200,000 tons instead of 9,000,000 tons as planned; the output of rolled iron totaled 4,300,000 tons as against the expected 6,700,000; 22,200,000 tons of oil were produced against a schedule of 27,000,000 tons; electric energy was produced in the ratio of 13.5 to 17 as compared with the plan; land under cultivation was 18,532,500 acres short of expectations; rail traffic fell 22 per cent below schedule. All these figures show substantial progress, but at a rate below that at which the Communists were attempting to "whip and drive the country"—the phrase is Stalin's—under the impulse of their own gloomy forebodings of international war. The plans for the current year reflect the Soviet conviction that the pace has been too rapid; in all the categories of industry mentioned above, with one exception, the objectives for 1933 are set below those of 1932.

The same outlook in international affairs has been and is still the controlling factor in Soviet foreign policy. The Union has never placed any reliance in the post-war arrangements to preserve peace. The League of Nations is openly derided by the Soviet official press as a hypocritical pretense. Russia's relations with the League have been guided chiefly by the purpose of advancing her own prestige among nations when admitted to the conferences at Geneva under the aegis of the League. She is a party to the Kellogg treaty and a propagator of similar treaties with her neighbors; but, believing as she does that war is an inevitable outcome of capitalistic institutions, she has no real faith in the peace pacts of capitalistic nations. Her interest in these arrangements is to fend off war as long as possible, thus gaining time for the completion of her own social reconstruction.

The same interest governs Russia's relations with individual States. She has entered into no alliances which will draw her into warfare between two other powers, but has endeavored to establish relations of neutrality with all parties to a future conflict—with both China and Japan in the Far East; with France and Po-

land and with Germany and Italy in Europe. To unite with other nations against Japan in the Manchurian dispute is so much at variance with the policy of the Soviet Union that one can safely predict rejection of the League's invitation to do so. In harmony with this policy the Soviet Union's strategy of the past decade in Europe has been that of postponing war by lending influence where it was needed to checkmate the more powerful or aggressive bloc of States. Convinced of the inevitability of war, the needs of the present stage of communistic development make the Soviet Union nevertheless an active agent of peace.

Commissar Litvinov's speech at Geneva is the latest public pronouncement of the Soviet attitude in these matters. The speech, as analyzed and elaborated by *Izvestia* on Feb. 8, is a declaration that the Soviet Union will not take sides in any struggle, but will continue to press for the abolition of war and for complete disarmament. "But Litvinov's declaration not only is aimed against intervention in a country where there is a revolution, but in the name of the Union undertakes the obligation not to intervene in a country where there is a counter-revolution"—assurance to Germany, Poland and Rumania that the Soviet Government will not support by force their Communist factions in the event of class war. In the same statement Russia gives an unequivocal answer to those nations which have hoped for her support in an attack upon the frontier arrangements of the Versailles treaty. These arrangements are undermined in that they "do not in many cases correspond to national interests," but the Soviet Union insists that "the changes desired must be produced by agreement, not by force."

The rapid expansion of Russia's military forces during this period, when she has been working ostensibly to promote peace and disarmament, has seemed to many people an evidence of hypocrisy. Within the past five years the Red Army has not only increased enormously in size but has been so completely transformed in equipment as to become one of the most powerful modern war machines. The obligation of universal military service, applied through a selective system which sifts out the best material for active service, gives the Soviet Union a partially trained citizenry—some 900,000 additional recruits each year—and a highly trained standing army of some 600,000 soldiers, of whom 59 per cent are members either of the Communist party or of the Communist League of Youth. The budget for 1933 provides for a further increase in military expenditure which will raise the total annual cost of the Soviet war forces to 1,450,000,000 rubles (nominally $725,000,000). The Soviet leaders are not disturbed by this apparent contradiction between their pacific professions and these warlike activities; indeed, both are quite in harmony with their view of Russia's needs in a world trembling on the brink of war.

Feb. 23, the day on which the Soviet Union celebrated the fifteenth anniversary of the birth of the Red Army, was devoted to impressing upon the Russian people the Communists' belief that their fatherland stands in constant danger of attack from capitalist enemies under the inherent impulses of their social system. Statements by Joseph Stalin, by War Commissar Voroshilov, by the Central Committee of the Communist party, by the editors of all the principal newspapers, stressed the point that the Red Army will be used only for purposes of defense, though asserting that imperialist attack will come. From this point of view, one may admit the logical consistency of Communist doctrine and Soviet practice, and yet find other motives for the war spirit fomented by the nation's rulers. Such an exacting program of sacrifice as

that to which the Kremlin is committed calls for a display of popular zeal and devotion rarely exhibited by any people save under stress of war. Communism is theoretically an international movement scornful of the bourgeois sentiments of nationalism and patriotism. The spectre of a vicious enemy encircling the proletarian republic and plotting its destruction is a useful substitute for these discarded sentiments.

The event of chief importance in the current international situation of Europe, Hitler's rise to power in Germany, has not been wholly unwelcome to the Soviet authorities. The Russian press has taken a very calm view of the matter, despite the Nazis' bellicose attitude toward German communism. Violent attack upon the radical movement of Germany has been expected from the Hitler government, and has occurred; but it is believed that this will serve only to strengthen and consolidate the power of communism and at the same time emphasize its international affiliations. The Kremlin, however, has hastened to warn German Communists not to expect any overt assistance from the Soviet Union.

Nevertheless, the Communist International published in *Pravda* on March 6 a manifesto calling for a "united front" of workers' parties throughout the world. Although the manifesto was issued on Jan. 22, its publication immediately after the German elections was regarded as a definite reply to the Nazi policy of provocation and repression. The manifesto instructed Communist parties everywhere to arrange a joint program of action with the Second International and labor organizations for combined staff and field work. Meanwhile, as a result of Nazi policy and Hitler's speech against the Soviet Union, the spirit of mutual confidence and economic cooperation between Germany and the U. S. S. R. seemed to have been destroyed. An editorial in *Izvestia* ridiculed Hitler's lack of program and his "barrel-organ anti-bolshevism."

Aside from its bearing on the Communist movement, the overturn of the German Government has probably strengthened Russia's position in Europe. The alarm of France and Poland, both of whom have been traditional enemies of the Soviet Union, has caused them to seek more friendly relations with Russia, thus increasing the latter's strategic importance with regard to the European balance of power. Russia's promise that she would not be party to any attempt forcibly to revise existing frontiers has cleared the way for a more cordial understanding with France and Poland; just as the assurance of non-intervention within Germany has permitted the continuance of friendly relations with the new government of that country. From all these States the Soviet Union desires trade and credit concessions. Developments which increase her importance to all of them are obviously in line with her own immediate interest.

In domestic affairs all the energies of the Soviet Government are concentrated upon the struggle to save the collective farm system from collapse and to put an end to the food shortage, problems which are also the result of the forced pace of progress. The coercive measures aimed at the recalcitrant peasantry are being applied with vigor (see March CURRENT HISTORY, pages 757-761). In South Russia and North Caucasus are wide areas within which special commissions are operating with dictatorial powers to crush out all opposition on the part of individuals or groups of peasants. These areas, though among the most fertile of the Soviet Union, were notoriously slack in fulfilling their grain requisitions last Fall and now again are behind in their delivery of seed grain. The Communist leaders are prone to attribute such failure to the influence of "counter-revolutionary elements" and, deter-

mined to obliterate such opposition once for all, have set about the business with great thoroughness, imprisoning, executing or evicting individuals and, in certain cases, transporting whole populations to distant parts of the country.

These violent methods, however, are only part of the program. Simultaneously a comprehensive campaign has been launched to improve the organization and the operations of the entire collective farm structure, and to increase the area of land under cultivation. A moderate expansion of the crop area is a phase of the planned economy of the year. Quite distinct, however, is an irrigation project in the Volga region which is intended to reclaim an area of 10,000,000 acres and to increase the output of wheat by upward of 100,000,000 bushels. This is obviously aimed at the future needs of Russia's rapidly expanding population. The immediate problem of increasing the efficiency of existing agrarian enterprises is under attack from many different sides. The agricultural machinery industry, especially the repair stations in the rural regions, has been placed on a special footing of priority under new directors with unlimited powers to speed up production and repair. The Communist party, the League of Youth and divisions of the Red Army have been mobilized to supervise the Spring planting. Selecting the North Caucasus for special treatment, the Kremlin has sent into that area "shock brigades" of 50,000 Communists, fully supplied with grain, machinery and other materials, to put through a program of planting and cultivation which will serve as an example to the rest of the country. Other measures include the creation of a special committee of the Council of People's Commissars to act as a board of strategy during the food crisis and to coordinate all the agrarian activities of the entire country during the coming season.

Foreign experts, particularly the American agriculturists who have been working in various parts of the country, have been mobilized under the leadership of George MacDowell, a former Kansas farmer, to assist the government with plans for the improvement of backward regions. Mr. MacDowell's new task will be to take over and operate as a single farm, with the aid of other American experts, 60,000 acres of land in the Kuban region, where the collective system has broken down.

Recently the government convened at Moscow the first peasant congress held since the revolution. The 1,500 delegates who assembled at the opening of the congress on Feb. 15 represented all parts of the widespread territories of the Soviet Union—the Ukraine, the Caucasus, Uzbek, Siberia, Russia proper. They were received and addressed by the highest officials of the State and party, including Joseph Stalin, War Commissar Voroshilov and Commissar of Agriculture Yokoviev. The purpose of the meeting was not so much educational as evangelistic. The idea was that the delegates, after being filled with patriotic zeal, would return to their districts as active agents of the Kremlin's agrarian program. The goal of all these efforts is to remove from the Soviet Union forever all danger of food shortage. If the undertaking is successful it will have far-reaching effects in the direction of freeing the Communist leaders from dependence upon an apathetic peasantry and releasing energy for the furtherance of the industrial program.

Arab Non-Cooperation in Palestine

By ROBERT L. BAKER

THE difficulties facing the British mandatory authorities in Palestine seem never to end. No sooner is one thorny question settled than another springs up. The latest is the announcement made on Feb. 26 by the Arab Executive that its newly adopted policy of non-cooperation with the British authorities would take the form of refusal to pay taxes and a boycott of British goods. The Arab press in Jerusalem hailed the announcement as marking a turning point in the Arab attitude toward Great Britain. It is still too early to know whether the Arab Executive has made certain of Arab popular support before making this bold and definitely provocative decision. If it has not done so and the policy of non-cooperation fails, it runs the danger of losing prestige among the Arab community. If, on the other hand, the policy of the Arab Executive does secure wide and determined support, trouble is bound to follow. The Palestine Government, thus confronted with a definite challenge to its authority and power, may have to use the greatest judgment and possibly decisiveness of action to prevent serious disorder.

This development followed immediately upon the refusal of Sir Arthur Wauchope, the High Commissioner, to forbid the sale of Arab lands to Jews or to place further restrictions on Jewish immigration. In reply to the request for such measures made by a deputation from the Arab Executive on Feb. 25, he declared that he was working for the good of Palestine as a whole and that he did not feel justified by the terms of the mandate in forbidding the general sale of land or of further limiting immigration so long as the country was able to absorb newcomers. He did promise, however, the carrying out of existing ordinances protecting the rights of peasants whose landlords disposed of the lands which they cultivated. Dissatisfied with the High Commissioner's statement, the Arab Executive announced that it would appeal to the British Government and to the League of Nations.

THE ANGLO-PERSIAN DISPUTE

As a result of the efforts of Edward Benes, the Czechoslovak Foreign Minister, who was appointed by the League Council as chief mediator between Great Britain and Persia in their dispute over Persia's cancellation of the Anglo-Persian Oil Company's concession, a provisional agreement was reached at Geneva on Feb. 2. According to this arrangement, the disputants agreed to suspend the proceedings before the League Council until the May session or later. Meanwhile the Anglo-Persian Oil Company is to enter into direct negotiations with the Persian Government for a new concession. But the respective legal points of view of both parties were entirely reserved. The result is, of course, almost a complete victory for Persia. Throughout the dispute she had insisted that the company should negotiate directly with the Teheran Government.

TURKISH ECONOMIC PROGRESS

Turkey continues to be one of the few comparatively bright spots in the dreary expanses of the world-wide depression. The intelligent fiscal policy of the Turkish Government has been

largely responsible for the good condition of the country and also for the widespread confidence in its ability to cope with the crisis. For a time it seemed that the public-works program would have to be curtailed because of diminished revenues, but for a number of reasons the government has been encouraged to proceed with the program by means of a voluntary internal loan, the first to be floated in Turkey. It is to be for 12,000,000 Turkish pounds and is to be devoted to building a fifty-mile branch railroad to link the Argana copper mines in Central Anatolia with the new railway system debouching at the port of Mersina. The bonds are to bear 7 per cent interest, will be tax-free and will be redeemable in twenty years. These mines, which have not been worked for a number of years, were selected by the government as the most immediately promising of all the mineral deposits discovered in the country. The loan should be subscribed without difficulty because opportunities for capital investment by the population have been few heretofore, though deposits in Turkish and foreign banks have risen from about 5,000,000 Turkish pounds in 1925 to about 40,000,000 pounds at the beginning of 1933. The government is also negotiating with certain foreign groups for the construction of a railroad from Sivas to Erzeroum in order to provide the northeastern provinces with outlets to the sea at Samsoun and Istanbul.

This line, like others recently built, also will be of great strategic value to Turkey, but the economic value of these railroads is proved by the fact that all of them showed profits last year.

The financial outlook of the Turkish Government has been considerably brightened by the favorable conclusion of negotiations to reduce Turkey's share of the old Ottoman Empire debt. Though ratifications are yet to be exchanged, an agreement has been reached by which the total obligation has been reduced from 107,500,000 Turkish pounds gold to 8,000,000 pounds and the increasing annuity which began at 1,500,000 pounds gold to a fixed sum of 670,000 pounds gold. The latter sum is believed to be well within Turkey's capacity to pay. The first instalment is payable in June, 1933. Under the original settlement the annuities were so heavy that the country's balance of payments was kept permanently unfavorable. The recent agreement has, in fact, removed the last external obstacle to Turkey's economic progress.

In accordance with Mustapha Kemal's desire to extend the use of the Turkish language, he urged last year that the Turkish version of the Koran be used in religious services in place of the traditional Arabic. But no official orders to that effect were issued, and the suggested reform, finding little favor among the mass of the people, was generally abandoned. In Brusa, however, on Feb. 5, the muezzin of the great Ulu mosque called the faithful to prayer in Turkish for the first time and was immediately attacked by orthodox worshipers. Government officials who attempted to rescue him were also assaulted by the crowd. In quelling the disturbance the police arrested more than sixty rioters including thirty priests and muezzins. The offenders will probably be tried by a military court. It will be remembered that 28 Turks were hanged in 1931 for revolting against President Kemal's decree outlawing the fez as a headgear. The Ghazi and Premier Ismet Pasha proceeded immediately to Brusa to investigate the trouble. On Feb. 7, in Istanbul, Mustapha Kemal ordered that only the Turkish version of the Koran was to be used from that date in the mosques of that city. It was expected that the government would not long delay the extension of the order to all parts of the country, and another of Turkey's

age-old customs will have fallen before the Ghazi's determination to make of Turkey a modern national State.

NATIONALIST ACTIVITY IN EGYPT

The physical breakdown of Premier Sidky Pasha late in January has left the Popular-Unionist government without a real leader, and there appears to be no obvious successor to him in the coalition, should he find it necessary to retire permanently from public life. The Wafd (Nationalist) party has seized the opportunity offered by Sidky's illness to resume its rôle of representative of the nation and to put itself forward as potential successor to the present government.

Mustapha Nahas Pasha, former Wafd Premier, on Feb. 7 presented a petition to King Fuad. It was understood in Cairo that the petition urged the dismissal of the government. On the same day the Wafd party sent communications to the representatives of the foreign powers refusing in the name of the Egyptian people to pay the foreign debt in gold. The Mixed Court in Cairo has ruled that coupons on the foreign debt must be redeemed in gold. The Egyptian press has been aroused to a high state of resentment by the ruling, contending that Egypt was not responsible for the abandonment of the gold standard in that country but is now condemned to pay a heavy fine because of a literal and inequitable interpretation of the debt contracts. There is really no difference of opinion on this point between the present government and the Wafd party. The government in its new budget made no provision for payment in gold, maintaining that payment in paper is legal. But the statement of the Wafd, made in behalf of the Egyptian people, has been described as a shrewd tactical move.

The moderate branch of the Wafd lost its most influential leader on Feb. 3, in the death of Barakat Pasha, a nephew of Zaghlul Pasha, founder of the party.

The idea that the Suez Canal is completely controlled by Great Britain is fairly common. Yet the Suez Canal Company is administered from Paris, and a recent incident demonstrates that British shippers who use the canal are by no means given preferential treatment. Last month two strong British organizations, the Liverpool Steamship Company Association and the London Chamber of Shipping, asked for a reduction on British tolls, claiming that the devaluation of the pound made the canal charges relatively higher for British ships than for those of other flags. In its reply on Feb. 11 the Compagnie Universelle du Canal Maritime de Suez, declared that the devaluation of the pound was not its fault but that of the British Government and suggested that the ultimate remedy for the present bad situation of British shipping would be the rise and stabilization of the pound. The company also suggested that as the British Government is a large stockholder it might spend its dividends, paid in francs, to subsidize British shipping companies using the canal. It was ruled, therefore, that the present rates are to remain in force until the end of the year. Financial circles in Paris were somewhat surprised by the sharp tone of the refusal and by the reasons given.

Although Great Britain has long maintained a protectorate over the canal, and although the British Government itself owns seven-sixteenths of the shares of the Suez Canal Company, the board of directors is predominantly French. The directors number one Dutchman, ten Britons and twenty-one Frenchmen. Only three of the ten British directors represent the British Government, the other seven being appointed by British shipping interests.

Japan Overruns Jehol

By TYLER DENNETT
Professor of International Relations, Princeton University; Current History Associate

THE initial Japanese drive into Jehol early in January came to an early pause with Japanese troops in possession of several eastern gateways—Shanhaikwan and the port of Chinwangtao. On Feb. 9 the Committee of Nineteen at Geneva demanded a clean-cut statement from Japan of her attitude toward Jehol. The reply was a renewed assertion that Jehol, as a part of Manchuria, belongs to Manchukuo, and this was followed by an ultimatum, in the name of Manchukuo, presented on Feb. 18 to Marshal Chang Hsiao-liang. The young marshal, accompanied by Dr. T. V. Soong and other officials, flew to Chengteh, capital of Jehol, for a conference—the first time Chinese Government leaders had ventured into the danger zone. "On behalf of the Central Government, I pledge you that we will never give up Jehol. * * * There will be no terms of surrender," promised Dr. Soong. Governor Tang Yu-lin vowed he would fight Japan to death. But the Japanese Foreign Office replied laconically: "The Kwangtung Army has a way of timing its operations to coincide with League of Nations meetings." The drive started on Feb. 21, as predicted.

The first military operations were at Chaoyangssu, just inside the Jehol border, midway along the eastern boundary. The Chinese, according to Tokyo, took the offensive. At the same time Japan ordered 33,000 Chinese troops to evacuate Kailu at the northeast corner of Jehol. On the same day Dr. Soong announced that $4,000,000 in "patriotic bonds" had already been subscribed by the northern bankers to finance the Chinese opposition. Marshal Chang's troops in Jehol were estimated by the Japanese at 100,000, exclusive of such forces as were under the command of Governor Tang Yu-lin.

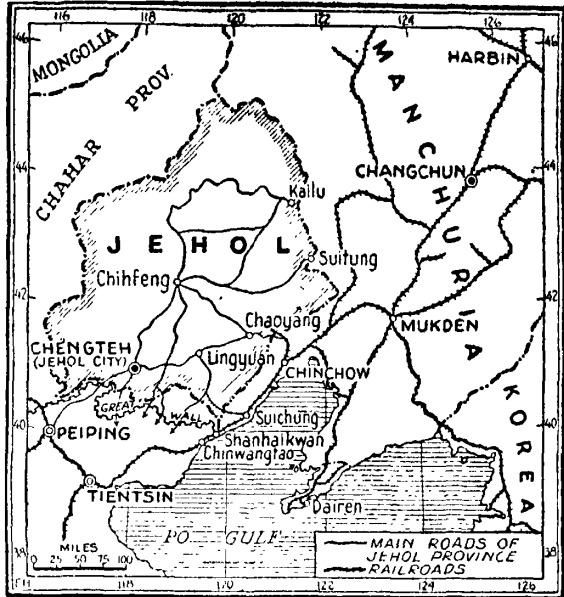
The Japanese advanced in four columns westward from Suichung, Chaoyang, Suitung and Kailu. The Chinese defenders of the province had had ample warning of the forthcoming invasion. The mountainous terrain offered splendid opportunities for an intelligently planned defense, and apart from planes the Chinese appeared to be well equipped to put up a stubborn resistance. Indeed, the world expected that some of the determination and heroism shown by the Chinese at Shanghai would be displayed in the passes and mountains of Jehol. The Japanese themselves expected that their capture of Chengteh would be delayed until March 10. Day by day, however, the Japanese pressed on, smashed the mountain defenses in front of Chihfeng and Lingyuan and occupied the capital city without firing a shot on the morning of March 4, a week ahead of their own schedule. A few hours earlier Governor Tang had fled from his capital, first taking care to send away his personal effects in 242 army trucks commandeered for for the purpose. Upon learning of this turn of events the military council in Peiping ordered Tang's arrest and in Nanking crowds cried out for his blood, but Tang was not to be found. The road from Chengteh to the Kupei pass leading to Peiping was crowded with automobiles, trucks, rickshaws, wheelbarrows and refugees

on foot. Marshal Chang, in characteristic fashion, sent reinforcements of his regulars to Kupei and even beyond, not to fight the Japanese but to check the flight of the Jehol volunteers.

Meanwhile, the Japanese columns were pushing on toward their main objective, the Great Wall, which still lay ahead. As the Chinese forces still in Jehol were without orders or supplies there seemed every likelihood that the Japanese would soon establish themselves along the wall and then devote their efforts to dispersing the numerous bands of irregulars that were left behind in the main drive. Marshal Chang has some 20,000 of his best troops in the region of Kupei pass, but whether he will choose to jeopardize them in the face of a concentrated Japanese attack remains to be seen.

The Province of Jehol

It was premature, as this was being written, to forecast whether Japanese action would extend beyond the Great Wall. Even with the frontier at the wall some 2,100 square miles of Hopei Province lying to the north of it will have been added to Manchukuo. But Japanese Army spokesmen are reported to have declared that Japan has no intention to proceed beyond the wall unless compelled to do so for the protection of Japanese who live in Peiping and Tientsin. North China was tense, however; palace treasures were removed from Peiping to Nanking and Japanese air demonstrations were feared and expected.

In Peiping the débâcle in Jehol was largely attributed to the unpopularity of Governor Tang's administration, because the Japanese were assisted in crossing the mountainous country by the disgruntled peasantry. But perhaps all the blame should not be borne by Tang. As yet it is impossible to say how extensively Marshal Chang Hsiao-liang's reputedly efficient regular troops have been engaged against the Japanese. And if Marshal Chang's aid to the defenders of Jehol appears to have been of little value, there has certainly been no real cooperation between the Nanking Government and the Northern Generals in opposing the invasion. On Feb. 27, Marshal Chiang Kai-shek announced that he would remain in the South lest his presence in Peiping or in Jehol should give the Northern commanders grounds for jealousy. It was only after the damage had been done and the Japanese objectives practically obtained that Chiang, on March 7, flew to Peiping to confer with Marshal Chang and other leaders.

THE BRITISH ARMS EMBARGO

The prompt action of the British Government, announced in the House of Commons on Feb. 27, in laying an embargo on arms to both Japan and China, brought to a focus all the tangled questions involved in the difference between neutrality and coercion

in the Far East. There are three choices: (1) To forbid the supply of arms to both belligerents as the British Government has done; (2) to take no action whatever; and (3) to cut off Japan. The last course is to adopt a coercive measure against the State which has been so conspicuously censured by the Assembly of the League of Nations. Either of the other courses comprises a policy of impartiality, that is, neutrality.

At first glance there seems to be no little inconsistency in British policy. One day at Geneva Britain joins in a vote of censure against Japan; a few days later she adopts a policy which actually favors the power censured. Japan, a highly industrialized and militarized nation, is far better able than China to carry on warfare without the purchase of arms from abroad. Sir John Simon's explanation, however, is fairly simple: "For a single nation, situated as we are in the Far East, it is impossible to take discriminatory action." The reference is interpreted to refer to British interests in China, and especially to the relatively exposed position of Hongkong, which, with only seven British cruisers in Far Eastern waters and Singapore 2,000 miles away, would be practically defenseless if Japan were to interpret an embargo against her alone as a hostile act. The British action is represented as emergency in character and there is a hint that it might subsequently be changed, provided an international agreement can be reached.

Japan has already purchased in England two famous White Star liners, the Baltic and the Megantic. The sales contract specified that they might be used only for scrap, but whether they are broken up and used for new war materials or for transports, they assist a belligerent just the same. In all, no less than seven former British vessels are on their way to Japan, or have already reached their destination. In 1932 both Japan and China made considerable purchases of explosives, machine guns and cartridg In Chile, Japan is seeking to purch nitrates from the bankrupt Cosa Japan has also been a heavy p chaser of scrap iron in the Uni States and has secured at least (such cargo in New Zealand. China reported to be in the market for 1,7 war planes.

The inclination of the outgoi American administration was alsc policy of neutrality, but quite diff ent from that of the British Gove ment. The attitude of the Americ Government, in so far as the ser ment can be interpreted from sta ments both from the State Depa ment and by Congressional leaders, that no embargo should be employ In effect, this is a policy more frien to China, which now has a better ternational credit rating than Jap

It will be very difficult to finc common denominator of internatio action which will reconcile pres British policy with American sym thies. The American position is posed to the criticism that it repe the policy of neutrality which, ado ed in 1914, subsequently drew t American Government into the w on the side of the powers which co trolled the sea. On the other hand policy of coercion directed agai Japan—such as would have been p sible for the United States if the e bargo joint resolution recommenc by the administration, but blocked Congress, had been adopted—could interpreted by Japan as an unneut act equivalent to the creation of state of war. This view is stron presented by Professor Edwin Borchard in a communication in T *New York Herald Tribune.* The co munication, although dated Feb. was not published until March "The idea that the peace of the wo is promoted by combining against 'aggressor' is believed false fr every point of view," declared Prof sor Borchard. The latter also lab as "a deplorable view" the suggesti that the old conception of neutral

does not apply when large nations are involved in war.

As the situation now stands, the action of Great Britain makes it unlikely that she will be drawn into the conflict. The American Government, on the other hand, by taking no action is exposed to the danger that Japan will blockade some or all of the Chinese ports and thus raise in America the emotional issue of "neutral rights" and "freedom of the seas."

The British embargo bears out the interpretation already given as to the meaning of the vote of censure at Geneva. Regardless of what the report of the Committee of Nineteen stated as to the aggressive character of Japanese action in China, the Assembly was less interested in that than in the aggressive attitude of Japan toward the League of Nations. As so often bluntly pointed out by Sir John Simon, in the quarrel between China and Japan there has been provocation on both sides. British neutrality is in harmony with that view. But between Japan and the League, the provocation has been all from the Japanese.

JAPANESE FINANCES

So serious is the present financial condition of Japan, in the opinion of George E. Anderson, *New York Herald Tribune* financial expert on the Far East, that the invocation of economic sanctions by the League "doubtless would bring about a prompt financial collapse in the Mikado's empire." Even without the Chinese boycott, the course of financial affairs would give cause for much concern. The extreme limit of national indebtedness which Japan can handle with reasonable safety has been estimated at 6,000,000,000 yen (at par the yen is worth 49.85 cents). Mr. Anderson estimates that the debt is now equivalent to practically 8,000,000,000 yen, in part because the service on the foreign debt has to be in gold. The interest charges alone on this huge sum are about 475,000,000 yen—roughly 59 per cent of the estimated tax revenues and not quite two-thirds of the national income. The appropriations already made for the army and navy for the coming year amount to 100,000,000 yen more than the estimated revenues. Recently the public has shown a marked reluctance to absorb new bond issues; meanwhile, the foreign money markets are closed.

The stock market slumped so much during the last efforts of the Committee of Nineteen to effect conciliation between China and Japan that the Japanese Exchanges were closed on Feb. 15. Since Jan. 1 Stock Exchange averages have gone off about 30 per cent. On Feb. 21 Japanese 6½s touched a new low in Wall Street at 45¼, while the 5½s went to 35½. Government guaranteed bonds in some instances were even lower. Most of these bonds were originally issued in New York at prices ranging from 89½ to 93½.

RADICALISM IN JAPAN

So frequent are the references to a possible political upheaval in Japan that the subject deserves mention. Radicalism in Japan is of two sorts—"Redism," to coin a word, and fascism. The two movements are quite contrary to each other and of very unequal importance. There is no evidence of an important Communist movement, though communism to a slight extent exists in the universities and in some labor circles. In 1932 there were nearly 7,000 arrests of alleged Communist sympathizers, including a judge of the Tokyo District Court, two professors in government universities, several high school teachers and many students from well known or wealthy families. When reference is made to a possible political change in Japan, however, it is not a Red revolution which seems possible. A political upheaval would, more probably, be Fascist in character, a consolidation of the army and the peasants against the capitalists, with a view to the increase of the power of the mili-

tary in domestic administration. In other words, the first result, at least, of revolution in Japan would probably strengthen, not repudiate, Japanese imperialism in China. The world will have to wait a long time for Japanese liberalism to become an effective ally for international peace.

THE JAPANESE MANDATES

The question of the Japanese mandates continued during the past month to hold attention. If Japan is, as some believe, creating a submarine and seaplane base at Saipan, Marianne Group, this is a violation of the mandate and also of the Nine-Power Treaty. If Japan definitely should withdraw from the League, the question would be raised whether she might retain possession of the mandated islands. The question is a complicated legal one, but vastly more complicated in its political phases.

Japan advances the legal view that her rights to the mandated islands are derived from the Treaty of Versailles, and that the latter merely gave effect to the secret treaty made during the war for the distribution of the German colonies. The mandate to Japan was actually given by decision of the Supreme Council on May 7, 1919. At the time the American Government protested against the inclusion of Yap in the mandate, a question which was not settled until 1921, when at the Washington Conference the United States and Japan signed a treaty in which Japan confirmed to the United States certain rights in the mandated islands, among those rights being the provision that there should be no military or naval bases. It is clear that the United States possesses in the Japanese mandate whatever rights the members of the League, or the League itself, may possess. Under the terms of the mandate Japan is engaged to submit to the World Court any unnegotiable dispute between the mandatory and the League over the interpretation and application of the mandate.

The political question is obvious. On the assumption that it were to be established that Japan has violated the mandate and, further, that the League has legal authority to take the mandate away from Japan, what military authority exists which could take possession if Japan opposed League action by military force? Furthermore, to what State, or group of States, could the islands be reassigned? Or, can the League administer such a charge? The Japanese Government has already made plain that it would resist an effort at dispossession.

CURRENT HISTORY

MAY 1933

Threats to World Peace

By PARKER THOMAS MOON

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IN world affairs the pendulum has swung swiftly and ominously, during these past three years, from a utopian prospect of peace and prosperity to the opposite extreme of economic panic, political uncertainty and peril of war. Between the hopes of 1929 and the fears of 1933 the contrast is startling. Some attempt should be made to understand it if we are to face the future with sanity.

Wars are raging now in two continents and threatening in a third, but in 1929 we were celebrating the ratification of the Kellogg Pact, renouncing war for ever and ever. Japan today is withdrawing from the League of Nations, but at the Tenth Assembly, in 1929, Mr. Adachi was expressing Japan's loyalty to the League and her desire for disarmament. President Hoover and Premier MacDonald were planning a Five-Power Conference to end naval rivalry, and the Preparatory Commission was elaborating an arms limitation convention for all the world to sign. The United States, in that same hopeful year, signed the World Court protocols, which are not yet ratified by the Senate. The long, bitter controversy over war debts and reparations seemed to have reached a happy ending when the Young Plan was drafted as a final settlement of reparations, and France at last ratified her debt-funding agreements with the United States and Great Britain. The French pledge to evacuate the German Rhineland within a year seemed to herald a new era of reconciliation in Western Europe. Indeed, all Europe was about to unite in a peaceful federation. It was in September, 1929, that Briand, the great French "apostle of peace," electrified the world by proposing a European union. Three years ago men talked of a "United States of Europe." The prospects of peace, said President

Hoover in December, 1929, "were never brighter than today." The world was on the threshold of Utopia!

Too rapidly Utopia vanished. The United States of Europe failed to materialize. The Young Plan collapsed in its second year and with it the war-debt agreements. Economic paralysis and financial panic swept over the world. Disarmament conferences foundered in treacherous shoals. Wars flared up in the Far East and in South America, while the League seemed impotent and the Kellogg Pact futile. Europe drifted toward repetition of the tragedy of 1914.

European skies have grown suddenly blacker since the stormy arrival of Adolf Hitler at Potsdam as Nazi dictator of the German Reich. But the clouds had long been gathering. German patriotism never accepted the verdict of Versailles as final. From the signature of the peace treaty in 1919 to the present there has been an incessant nationalist agitation against the peace terms. From 1923 to 1929 the agitation was wisely guided in peaceful channels by a great statesman, Dr. Stresemann, whose policy was "to repulse France from trench to trench, since a general offensive is not possible."

He did just that. He secured the withdrawal of French troops from the Ruhr coal basin in 1924; by the Locarno Pact he obtained a pledge of British and Italian aid against any future French aggression; he freed the Rhineland from allied military occupation. That was not all. Germany's reparation payments were reduced by the Dawes Plan of 1924 and again by the Young Plan of 1929. Germany obtained a permanent seat on the League Council as a great power.

Stresemann's Fabian strategy was too patient to satisfy the rising surge of nationalistic opinion in Germany. The German people regarded the peace terms as an outrage against justice. Even for a guilty nation the Versailles terms would have been intolerably harsh. Most Germans, however, believed Germany innocent—at least as innocent as others. Before France or England had the candor to do so, Germany had flung open her secret diplomatic archives from 1871 to 1914 to prove her innocence.

To Germans who believed in German innocence, an impassioned revolt against the peace treaties was emotionally easy. By donning brown shirts and following Hitler they hoped to free Germany and regain national greatness. Many of the Nazis were young men who could see no other escape from personal poverty and national shame. Junkers and ex-officers, monarchists and reactionaries had their own reasons for backing the Nazi movement. But what concerns us more is the way in which the Young Plan, the Wall Street crash, the policy of France and the Disarmament Conference helped Hitler to power.

The Young Plan of 1929, by fastening on Germany an impossible "tribute" for fifty-nine years, not only angered German nationalists but overstrained German credit. The Wall Street crash and the business depression aggravated matters. Business failures came thick and fast in 1930. Unemployment in Germany more than doubled between September, 1929, and September, 1930. So did Hitler's followers. In the elections of Sept. 14, 1930, the Nazis made their first startling gain, polling over 6,000,000 votes, eight times as many as in 1928. Note how the vicious circle rolled on. The Hitler victory alarmed investors, who promptly began to withdraw capital from Germany; inevitably unemployment increased—and discontent—and Hitlerism.

Perhaps it was the rising tide of this extreme nationalism that spurred an indiscreet German Foreign Minister in 1931 to attempt a bold nationalist stroke, the announcement of a future customs union with Austria. When France and the Little Entente blocked that cherished project, the Nazis had one more argument to prove the need of a fearless nationalist dictator. Moreover, the customs union crisis was accompanied by a financial crisis in Austria and a terrifying flight of capital from Germany. By March, 1932, there were 6,000,000 unemployed, as compared with 1,500,000 in 1929. In that month Hitler received 11,000,000 votes as a candidate for President; his following had almost doubled in eighteen months. As 1932 progressed, the economic situation grew worse and German attempts to scrap the peace treaty met with new rebuffs. At the Lausanne Conference in July the German delegation failed to secure complete cancellation of reparations, which they had demanded, or a repudiation of the "war guilt" theory. Simultaneously, at the Disarmament Conference in Geneva the German demand for equal armament rights was being opposed. It was at the end of this month that the Nazis polled almost 14,000,000 votes in a new Reichstag election.

Victory was now in sight. Another election in November administered a slight setback, but in January, 1933, President Hindenburg decided to appoint Hitler as Chancellor. Now the Nazis were in a position to muzzle the press, terrorize the Opposition, elect a new Reichstag and obtain from it a four-year grant of dictatorial powers for Hitler.

In his first two months of power Hitler was ruthless enough in domestic affairs, but singularly mild toward dangerous foreign powers. In this respect he has followed the best Fascist tradition. If he is as skillful as Mussolini, he will be able to divert the nationalistic fervor of his followers into prudent channels. But if he should follow the course which Nazi propaganda has marked out, what lies ahead is war. The Nazi movement has aroused a powerful demand for abrogation of the peace treaties, arms equality, colonies, Austro-German union, cancellation of reparations and revision of the Polish Corridor.

Some of these demands are not particularly dangerous. A considerable part of the Versailles treaty has in one way or another already been scrapped or nullified. The return of a colony or two from Germany's lost empire is quite conceivable. Reparations have already been cut down so far that complete cancellation is a matter of sentiment, not of finance. Removal of the "war guilt" clause from the treaty might be more difficult, because public opinion in many countries has not quite kept pace with the publication of pre-war archives. The really serious issues are Austria, the Polish Corridor and disarmament.

Ever since 1919 France has opposed the union of Germany with Austria. Wrongly perhaps, but quite naturally, French governments have thought less of the moderating effect which Austrian voters might have had on German politics than of the simple arithmetical fact that in annexing Austria Germany would gain more than she lost by the war in area and population. United, 69,000,000 Germans in *Grossdeutschland* would face the 42,000,000 French. Therefore the union, except by unanimous approval by the League Council, was prohibited in the peace treaties. The treaty clauses were reinforced by an additional pledge (the famous Lausanne

Protocol No. 1 of Oct. 4, 1922), exacted from Austria in return for a direly needed international loan, not to compromise her independence by any economic or financial engagement. Maintaining these pledges was one of the purposes specified in the alliance of 1924 between France and Czechoslovakia. France and Czechoslovakia, as we have already observed, proved that they were in earnest when an Austro-German customs union was announced in 1931; French financial aid was withheld from Austria, the case was carried to the League Council and to the World Court, and the project was dropped just two days before the Court handed down an opinion against it. Finally, in July, 1932, when Austria again required a loan, the protocol of 1922 was strengthened by a new Lausanne protocol. Such are the pledges and policies that stand in the way of *Grossdeutschland.*

Still more difficult is the question of the Polish Corridor. This feature of the peace settlement has become ever more controversial and more dangerous as the years have passed. For many German nationalists it is the supreme injustice, the one wrong that might justify war. But for the Poles the Corridor is "not a strip of land artificially cut out from German territory to assure to Poland access to the sea"; on the contrary, it is a historic Polish province, as its very name (Pomorze) indicates; it was part of Poland for centuries before Frederick the Great of Prussia seized it in the late eighteenth century; its population was always more Polish than German, and now is 90 per cent Polish; and it affords the natural maritime outlet for a Polish nation of 32,000,000 people.

The next world war, many have predicted, will begin in the Corridor. Germany cannot regain the Corridor except by fighting two wars, one to conquer the territory and a second to defend it against a Polish war of revenge. For even one war the present Corridor situation offers no just and sufficient reason. There is, however, ample reason for the Polish authorities to alter their policy.

Having been endowed so generously by the Peace Conference, at the cost of a proud and powerful neighbor, the Poles might well have treated Germany magnanimously instead of scratching an unhealed sore. They subjected German traffic across the Corridor to regulations and annoyances that enraged German Junkers possessing estates in East Prussia. By ousting many German property owners and interfering with German schools in Poland, the Polish authorities gave the Germans numerous grievances. German complaints poured into the League Council and the World Court, and more than once Poland was found to have exceeded her legal rights. To say the least, the Polish policy was impolitic.

As regards Danzig the Poles were still less prudent. Danzig, of course, is not part of the Polish Corridor, but a Free City, essentially German, detached from Germany in order to provide Poland with a Baltic port. Perhaps the Danzigers were wrongheadea in their unwillingness to exchange national sentiment for increased business. Their shipping and trade did increase to four times the pre-war level, but they remained unfriendly. The Poles, on the other hand, alarmed both Danzig and Germany by minor encroachments, setting up Polish mail boxes, attempting to introduce Polish currency on the railroads, stationing warships near Danzig and soldiers on the Westerplatte peninsula, and so on. Worse still, Poland built a great new port at Gdynia,

eleven miles away, to compete with Danzig. The Free City thus became a spearhead of German enmity toward Poland.

Hungarian wrongs, too, have long been a disturbing factor in European politics and the secret arming of a militant Hungary has aroused real alarm. Hungarian nationalists have a strong case for the restoration of certain border districts taken from Hungary by Rumania and Czechoslovakia. Unfortunately enough, Rumania and Czechoslovakia have not been ready to make such a sacrifice nor have they been sure that it would satisfy Hungary.

What gives sinister significance to these and other "sore spots" is the tendency of extreme nationalists in the defeated countries to think of the sword as a cartographical instrument. Separately, perhaps no one of the defeated countries would again run the risk of war; together, they would still be weak, these four more or less disarmed nations. They can hardly count on Russian aid since Hitler's attacks on German communism. Toward Italy, however, they have looked more hopefully. In 1933, when Hitler established a quasi-Fascist dictatorship in Germany, the world public wondered whether a "league of dictators" would array itself against the "democracies."

Mussolini, however, had a plan for peaceful treaty revision. As he explained it to Prime Minister MacDonald in March, his aim was to take France and Great Britain into the treaty-revision group with Germany and Italy. These four great powers were to work together to remove the worst grievances and to preserve peace. Even more important than the unrevealed details of the Mussolini plan is the fact that Mr. MacDonald was willing to take up the plan, consider it seriously and proclaim his sympathy with it by declaring to Parliament that "every treaty is holy, but no treaty is eternal." Truism that may be, but in the circumstances it was political dynamite. If Mr. MacDonald meant what he implied, he intended to throw Great Britain's weight into the scales against the status quo.

That would leave France and her allies to defend the crumbling structure of an unwise peace. For more than a decade the idea of revising the treaty terms has been anathema to France. The French attitude was adopted when very important national interests were at stake. Many of these interests, however, have gone by the board. There is no longer any reason to defend the reparations chapter of the Versailles treaty or the Rhineland occupation clauses or the economic chapter. The Saar Basin clauses have only two more years to run; the Syrian mandate has been a liability; even the disarmament clauses, French statesmen now realize, can hardly be enforced longer. What is left? For the sake of emphasis perhaps an exaggeration will be permitted. In opposing treaty revision now France will be defending the possessions of her East-European allies rather than direct and vital interests of her own.

This strange situation has come about because in 1919 the French Government, dominated by such men as Poincaré, Clemenceau and Tardieu, had more faith in armaments, strategic frontiers and alliances than in justice or a League of Nations. To preserve the kind of peace that these men won, alliances were assuredly needed. Gradually French diplomacy and French finance built up a new system of military alliances with Belgium, Poland and Czechoslovakia, and less binding alliances with Rumania and Yugoslavia. Although the Little Entente has never been wholly free

from dissensions or entirely committed to France, it has generally been regarded as part of the French system. In 1933 the French coalition, including Poland, the Little Entente and Belgium, had 1,650,000 men under arms and 11,000,000 trained reserves to fight for the sanctity of treaties and the immortality of frontiers. Yet France and Poland and the Little Entente all showed symptoms of extreme nervousness. It would be impossible to imagine a better proof that armaments do not guarantee security.

The hesitations of the World Disarmament Conference would be unintelligible without an appreciation of these political factors. When it assembled at Geneva on Feb. 2, 1932, it had before it a carefully prepared draft treaty designed to limit armaments without attempting to solve the political problems of German equality, treaty revision and French security.

Very quickly the conference shifted to a quite different approach, the principle of "qualitative disarmament," which means abolishing pecu'iarly offensive weapons such as big guns, tanks, bombing planes, big battleships, submarines and gas warfare. The idea appealed strongly to public opinion throughout the world, and to many governments. It might be a way of granting Germany some equality, for Germany had been deprived of such weapons by the Versailles treaty. It might give some security to France, and indeed to all nations, because without these weapons of attack invasion and conquest would be far more difficult. It would enable the United States to promote disarmament without undertaking any new political responsibilities.

Ingenious as it appeared to be, the qualitative disarmament scheme soon encountered two great obstacles. The military and naval experts began to dispute whether battleships are innocent weapons of defense or deadly engines of attack, whether tanks may weigh 20, 25 or even 35 tons without becoming offensive, whether 6-inch and 8-inch guns are more to be feared than 4-inch guns. In the second place, France and her satellites were unwilling to face Germany on equal armament terms unless they could set up an international police force and strengthen the League, so as to guarantee security.

Just when failure seemed near, President Hoover made his spectacular attempt to save the conference by launching the "Hoover plan" of June 22, 1932. He proposed to reduce armaments roughly by one-third, and also to abolish tanks, big guns, bombing planes and chemical warfare. But because he failed to satisfy French security demands, the plan won more favor with Germany, Russia and Italy than with France. The British delegation, too, was critical. The Americans, therefore, had to allow the Hoover plan to be watered down (by the notorious "July resolution") to such a point that it satisfied no one.

Then came the real crisis. That Summer the Nazis polled 14,000,000 votes; the German Government demanded revision of the arms clauses of the Versailles treaty, and Germany threatened to quit the disarmament conference. German sentiment and German arguments were too powerful to be ignored any longer. By an agreement of the five great powers in December Germany was promised "equality of rights in a system which would provide security for all nations." The MacDonald-Mussolini conversations of March, 1933, went even further in suggesting that Germany be admitted to a four-power group to consider re-

vision of treaty grievances. Moreover, Mr. MacDonald proposed to free Germany from the Versailles disarmament clauses and to establish a standard strength of 200,000 men for the European armies of Germany, France, Italy and Poland alike.

This striking proposal was part of a general disarmament plan prepared by the British Prime Minister in March, 1933, as a supreme effort to rescue the Geneva conference from futility. Germany would be given army equality in Europe, but France would be allowed an additional 200,000 in her colonies and Italy 50,000. Germany would be freed from the Versailles naval limitations, but there would be a truce on naval building until a new naval conference in 1935. Each great power would reduce its air fleet to 500 planes (except Germany, which has none), pending further negotiations for complete abolition of air warfare. These, of course, were compromises, as Mr. MacDonald frankly admitted.

One of the most interesting points —perhaps the crucial point—in the MacDonald plan was the attempt to meet the French demand for security not by creating an international police force but by providing for a consultative agreement based on the Pact of Paris. In making such a proposal Mr. MacDonald had to steer carefully between the opposing positions of France and the United States. France, in the Herriot arms plan of November, 1932, had proposed as the price of any real disarmament a pledge to enforce the Kellogg Pact by boycott of the aggressor and non-recognition of ill-gotten gains. The United States, through Secretary Stimson, had initiated the non-recognition principle and announced a willingness to consult. What Mr. MacDonald did was to ask America for the minimum—the mere promise to confer with other powers in the event of war or threat of war. Thus the disarmament problem came back to the problem of enforcing the Kellogg Pact.

Enforcing the Kellogg Pact had become a very practical problem. In spite of the Kellogg Pact renouncing war, Japan had conquered Manchuria, fought bloody battles at Shanghai and invaded the Chinese province of Jehol. In South America the Chaco conflict between Bolivia and Paraguay had become a real war, and another war had begun in Leticia between Peru and Colombia. In all three cases the Kellogg Pact was evaded by the simple method of fighting without declaring war. Obviously the mere existence of the pact in itself was not enough to prevent war; it was only preventing declarations of war.

Spurred on by the emergency, Secretary Stimson experimented with various methods of upholding the pact. Identic notes were addressed to China and Japan in vain. Special protests to Japan failed. Concentration of the United States battle fleet in the Pacific and a threat to scrap the Washington naval treaty also failed. The most interesting of the Stimson experiments was the non-recognition doctrine, proclaimed by the United States on Jan. 7, 1932, in identic notes to China and Japan, supported by the League Assembly on March 11, and applied also to the Chaco conflict in South America by an identic note of Aug. 3, addressed to Bolivia and Paraguay. Even this threat not to recognize any gains made by conquest, in defiance of the pact, seemed unavailing. It could hardly be made effective unless some method were found of determining whether the pact had been violated, and by whom.

The League of Nations proved un-

expectedly effective as a means of answering such questions. Skeptics had hitherto denied that the League would ever condemn a great power bent on war. For seventeen months skepticism of this sort flourished. From the outbreak of hostilities in Manchuria on Sept. 18, 1931, to the Assembly's condemnation of Japan on Feb. 24, 1933, the League delayed decision. There were many reasons for hesitation. Mere distance from Geneva delayed the investigation and report on Manchuria for months. The issue was extremely complicated. Great Britain and France had special reasons of their own for holding aloof. Curbing Japan, moreover, would not be easy. The business depression and the unsettled state of affairs in Europe made courageous action less probable. Moreover, the League for a time endeavored to pursue methods that would have American approval, instead of using the technique that Geneva had hitherto found useful.

Nevertheless, in the end the League methods were applied, and under Article XV the Assembly formally made its report, broadcasting it by radio to the entire world. That was a landmark in modern history. It proved that even in a really dangerous conflict, involving a thoroughly determined great power, affecting all sorts of special interests and presenting exceptionally difficult questions of fact, the League method of impartial investigation, publicity and conference could at length produce a unanimous verdict—unanimous except for the one dissenting voice of the nation at fault. Particularly significant is the fact that after this verdict the State Department at Washington hastened to declare that the United States was "in general accord" with the League's conclusions. Washington still retained "independence of judgment," but at last the United States had found by actual experience that the most practical way of uniting world opinion against a breach of the Kellogg Pact was the League way.

Having found courage to condemn Japan, the League proceeded, in March, 1933, to pass judgment on Peru. Again the League radio station sent out a broadcast to the world, this time from the Council, recommending that Peru evacuate the disputed region of Leticia. Here again the State Department at Washington appeared to welcome the League's action.

The revival of courage was not without its risks. Japan announced her intention to secede from the League. Peru perhaps might follow. If the arms conference and treaty revision in Europe should fail, Germany might also withdraw, as many Germans had already threatened. On the other hand, the League had won a marked increase of cooperation and moral support from Washington. Whether the United States would rest there and refuse to consider cooperation in an arms embargo or an economic boycott against a violator of the pact remained an open question. On the answer to that question the outcome in the Far East and in South America may ultimately depend, and also the fate of the disarmament conference, the peace of Europe and the safety of the world.

French Civilization and the Crisis

By ROBERT BRIFFAULT

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FRENCH official optimism dwells with some complacency on the fact that France has suffered less severely than any other Western country from the world-wide economic depression. "France," a popular paper declared the other day, "is the land of refuge of civilization."

The causes of this relative immunity are fairly plain. French prosperity has never rested on towering accumulations of wealth belonging to individuals or corporations but on the more widely diffused well-being of relatively small proprietors and *rentiers*. French wealth, like French small business, is on a cash rather than a credit basis, and banks play a much more restricted part than in other countries. Under the Versailles treaty and during the post-war years the French Government, on behalf of its *rentiers*, has been able to drive the sharpest bargains that nationalistic selfishness could dictate. Moreover, France is in many respects a far more compact and self-contained economy than America, Great Britain or Germany has ever been.

Yet the fall in all sources of revenue, including a loss of some $400,000,000 on the railways and a rising adverse trade balance, has resulted in a deficit in the French budget of over $560,000,000, which is daily increasing more rapidly than the savings intended to reduce it. Those savings are being effected by slashing the salaries and wages of the numerous government employes, including most of the railway men as well as workers in State industries. War pensions and unemployment relief are being cut to the bone. The deductions from wages on account of insurance have been considerably increased, while the employers' contributions are unaffected. Although the government taxes upon all earned incomes are heavy, the *rentier's* coupons escape direct taxation; on the other hand, his income is being reduced by conversion loans which carry lower interest rates.

The number of French unemployed is estimated at 2,000,000 and is fast increasing. Although the police, by curbing mendicancy, vagrancy, gatherings and demonstrations within the larger cities, keep rags and misery somewhat effectively out of sight, swarms of destitute humanity during the past Winter straggled, like wolves, from the outer suburbs into Paris, seeking food and shelter. Homeless families, men, women and children, thronged the subway stations and camped, lighting fires from sticks, on the quais of the Seine. In the textile industries the number of workers employed is one-third of what it was five years ago. Their wages, always low, have been reduced considerably. In the rayon industry women number 85 per cent of all employed workers. Cheaper female labor, which has been extensively substituted for male labor, represents 40 per cent of the total of all employed workers.

The plight of the farmers is such as to drive them to desperation. Agricultural laborers are working in some instances at the rate of 1 cent per hour. Many of the vineyards in the Bordeaux districts are being allowed to lie fallow.

A large proportion of the trade of France consists of articles of luxury—*articles de Paris*, art objects, women's wear and wines. That commerce is in the direst straits. Many of the great dressmakers, art dealers and jewelers of Paris are in difficulties. Many of the great restaurants have disappeared; others that were too exclusive to advertise are offering meals at a dollar. Fashionable hotels are carrying on precariously at an enormous loss or are in the hands of receivers. Places of entertainment are suffering. The Opéra Comique has been turned for two days a week into a movie house. Large apartment buildings in and around Paris, erected because of faith in post-war prosperity and embodying the latest comforts and caprices of architecture, are seen everywhere standing empty. Over whole quarters, intended to be fashionable, broods the silence of desolation.

Thus does France, "refuge of civilization," witness the realization of her most sanguine political dreams. Never in the darkest days of defeat and humiliation has she presented an appearance less gay and cheerful. The pleasure which, according to La Rochefoucauld, we derive from the misfortunes of our friends is tempered by too many sobering considerations to be, with the French, indecently blatant. Although the recent use of the franc in London as the standard of international exchange was gratifying to their pride, they are not so blind to their interests as to gloat unduly over the sickness of the dollar or the pound, for they see that the franc, too, might suffer the depreciation that has affected other currencies.

What is the attitude of the French mind, which is reputed to be so logical and realistic, in the face of these conditions? In the Chamber the other day a Deputy lauded the effects of the Chinese wall of tariffs erected round France on the ground that it helped to preserve undefiled the purity of French civilization. But the high value we place on that civilization can scarcely be measured by its present manifestations. There are, of course, good grounds for the opinion that the French are the most civilized of Western peoples. French cultural tradition is the oldest in Europe. France was the first European country to achieve a firmly established national existence. It was also the country where the tradition of the old civilization had cast most deeply and firmly its roots through all strata of the population. Nowhere else has the tradition out of which Western culture has grown been so unbroken or its development so continuous.

The appreciation of the more delicate values and adornments of life is, with the French generally, in consequence, more highly elaborated and more sophisticated than with other races. The mass of the French people is more interested in general questions, in politics, in literature, in the theatre, in art, in the amenities of life and the airs and graces of culture. It prefers company and conversation to noise and boisterousness, good food and wine to gross feeding and drunkenness. Its desire to enjoy life stands on a plane of more intellectualized tastes. With the logic and clarity of a language whetted to a fine edge by long usage goes a corresponding logic and clarity of thought. Nebulous ideals do not attract the Frenchman. He is not addicted to translating his concrete cupidities into the high-sounding language of moral obligations and humanitarianism. He has never professed to "shoulder the white man's burden," nor distributed Bibles with opium and fire-water to the heathen. That sort of "silly nonsense" is known in France as *la niaiserie anglaise*. Being part of a long cultural tradition, those dispositions and tastes are more generally diffused throughout all classes, more firmly fixed as traits of the national character. The French are, in a sense, eminently civilized.

But "civilization" is an overworked term that begs a thousand questions. Whatever it means, it does not imply adaptability to changing conditions—rather the contrary. Largely because French civilization is so highly differentiated and sophisticated, so solidly crystallized, France may prove of all countries the least fitted to adapt herself to the profound changes now taking place in the world.

Among the changes which confront civilization with the alternatives of radical adaptation or death is the monstrous transformation of modern war. The French have been, of all nations, the most susceptible to the glamour of martial glory. The world has changed, and even the French have to a considerable extent recognized the change. They have set aside the old visions of *la gloire*. War is now a haunting nightmare. The menace of a conflagration in which civilization may be reduced to ashes is, for realistic Frenchmen, a source of stark fear. That, and not exalted combativity, is the sentiment with which the danger is regarded.

Yet, like every other riddle that perplexes a changed world, the menace of war takes the form of an irreducible dilemma. When President Wilson brought over the plan of the League of Nations, Clemenceau told him that no nation had more to gain by the abolition of war than the French. But did the American President really desire to abolish it? Was he prepared to do away with sovereign nations, to repudiate capitalistic enterprises? The American liberal idealist stammered. He had, in fact, not faced the dilemma. He mistook high-sounding phrases for practical measures. The abolition of war means the abolition of national sovereignty, and the only alternative is to arm to the teeth. France has doubled her war budget since 1926. The League of Nations, used as an instrument of military domination, has been supplemented by the pact of last February mobilizing under French command the military resources of the Little Entente. French realism does not profess the fatuous compromises of Anglo-Saxon *niaiserie*.

The political party now in power in France, the party from which all recent administrations have been drawn, represents the left wing of French Parliamentary radicalism. Laval, Herriot, Paul-Boncour, Daladier are described as "Radical-Socialists." The measures to protect bondholders at the expense of the workers and small tradesmen, to increase the war budget, the enormous police budget, the "secret" budget—the sums used for unavowable purposes—to retain political prisoners while liberating criminals, have all been passed by the votes of the "Socialist" party, which under the leadership of Léon Blum has lent its support to the "Radical-Socialists." The French Government, which is the bulwark of reaction, is a Radical-Socialist government. Yet the opposition to it does not charge it with being reactionary, but with being radical and socialistic.

The French bourgeois, the shorn taxpayer, the tradesman faced with ruin, the workman bled by wage cuts, the farmer and the peasant do not take their present troubles lying down. They are irate. In no country is the protest of injured interests more vocal. The walls are placarded with flaring manifestoes and indignant protests. In defiance of the bludgeons of the police, government employes demonstrate and organize strikes. Paris is invaded by hordes of infuriated and desperate farmers, and the collision of the country people with the police gives rise to a lively battle in the Champs Elysées. Shopkeepers put up their shutters in protest against the crushing burden of taxes.

But the discontent is anything but revolutionary in a modern sense. It is not for "a new deal" but for "the good old times" that the French bourgeois hankers. He is against the government, not because the government is reactionary, but because it is insufficiently reactionary. He therefore in-

clines to lend a willing ear to the voice of royalist and priest. The *Action Française* makes pleasant reading. In what paper can he better enjoy the solace of seeing the government of the day soundly trounced? There is much talk of dictatorship—the *Echo de Paris* prints Fascist propaganda. Even acute political antagonism does not prevent a sneaking admiration for Mussolini and Hitler. What is needed is a "stronger" government. The only difficulty is to find a suitable dictator.

Nationalistic repudiation of changing realities leads even to repudiation of the principles of the French Revolution. Thus, M. de Jouvenel in his *Huit Cent Années de Revolution Française,* which has just been published, puts forward the startling thesis that the French Revolution never took place. Neither the intellectual ferment nor the economic conditions of the eighteenth century, he informs us, had anything to do with it. The revolution was simply the culmination of a long and continuous process by which the French nation secured the sacred rights of property. It was therefore not a revolution, but an evolution. Similarly, the French bourgeoisie begins to turn from the French eighteenth-century thinkers who prepared the way for the revolution, the thinkers whose clarity constitutes the best title of France to cultural leadership. Radical thought could then afford to be logical and courageous because it undermined feudal privilege. Now, however, clarity and rational logic, instead of being favorable, have become dangerous to the interests of property.

Just as French nationalism is falling back upon militarism and alliances, French finance on the hoarding of gold and French economics on the internal resources of the country, so is French civilization turning for refuge to cultural traditionalism, with all its dangers of serious mental injury.

The conception of France as a secular and rationalistic country no longer holds good. The anti-clericalism of the early Briand and Combes period, which curbed the power of a royalist and medieval church, which at the time of the Dreyfus affair nearly destroyed the republic, is today consistently disowned. One-half of the present generation of French children are being taught in church schools. In the country of Voltaire and Victor Hugo the widespread revival of miracles, supernatural apparitions, portents and cures, pilgrimages, processions and prostrated devout crowds reminds one that French civilization is continuous with the Middle Ages. European civilization cannot turn its head toward the past without drawing close to the Dark Ages.

In form and substance French literature today is marked by an almost incredible withdrawal from living actuality. An influential French critic, lamenting the conspicuous decay of the French stage, can think of nothing better than the revival of the classic drama of Molière, Corneille and Racine. French criticism harks back to archaeological minutiae. The Prix Goncourt was awarded this year to a long-winded novel, extraordinarily lacking in characterization and dealing sentimentally with a sentimental intrigue placed in the '90s. It might have been written in that period. Several of the leading French literary figures, such as Paul Bourget, François Mauriac and Maurras, are frankly and violently reactionary. One of the most polished among French *littérateurs,* M. Thibaudet, has recently published a book on French political ideas, classifying and analyzing them with exclusive reference to their bearing on the interests of the Catholic Church. Paul Valéry, the protagonist of the "symbolist" movement, has also published a book of "Glances at the Contemporary World." The "contemporary" world which he envisions might, for any idea contained in his

mystically worded work, be contemporary with Christopher Columbus. The same might be said of a book of like purport just published by André Maurois, whose favorite American writer is Thornton Wilder, and who recently delivered a brilliant disquisition on "the place of the adjective."

A newspaper, *L'Aube,* recently conducted a survey among writers, novelists, poets and professors with a view to ascertaining in what measure they, if at all, considered it their business to be interested in the social problems which are agitating the world. The majority flatly declined to leave their "ivory towers." The sole positive result of the survey was the opinion expressed by a number of writers that tips should be abolished!

Traditional French art, which for nearly half a century could not bring itself to recognize Manet, is and continues to be stodgily academic. Native modern French art, as represented at the Salon des Indépendants, would be looked upon as a disgrace to a Middle West American county fair. The eccentricities of French modern art, which served as a means of profitable speculation while the dollars of American amateurs lasted, has been largely the work of foreigners such as Picasso, Modigliani, Foujita, Vlaminck, Van Gogh, Kisling and Zadkine.

Is there, then, no sense of present realities, no attempt to face them, in the contemporary French mind? There is. When the reign of terror of Hitlerite thug-rule was inaugurated in Germany a number of French writers tool occasion to register their indignan protest. They were Romain Rolland Jean-Richard Bloch, Henri Barbusse Eugène Dabit, Elie Faure and Andr Gide. Gide wrote: "Germany is at th present moment offering us an appal ling example of the tyranny and op pression toward which every countr that seeks its safety in stubborn na tionalism must inevitably gravitate * * * Such a policy can only resul in war. Those who profess that the are anxious to avoid it should admi that the war of classes—I mean wa in every country against the imperia ism and oppression within its ow doors—can alone avert the more sar guinary conflict which is now prepar ing, and which this time will be mortal one." Language such as thi is, however, received in silence, an the name of André Gide, the most em nent living writer in France, has sud denly dropped out of the columns c literary discussion or is casually men tioned only with flippant levity.

In contrast to the intellectua classes, the French workers have n illusions as to the forces of selfish an stupid reaction by which they are op posed. They recognize in the myopi and voluntarily misinformed miserl ness of the middle classes the prim sources of the policies which head th country toward decadence and disas ter. If French civilization is to b saved from the fate which it now ap pears to court it will not be thank to the polished formulas of its presen intellectual and political leaders.

Germany's Anti-Jewish Campaign

By SIDNEY B. FAY

[Dr. Fay, Professor of History in Harvard University, is a leading American authority on German affairs. His most important work, *The Origins of the World War* (in two volumes), is generally regarded as the ablest and most impartial treatment of the subject.]

IN the rise of the Hitler party to power in Germany its spokesmen continually uttered dire threats as to what it would do to the Jews if once it controlled the government. To appeal to racial and religious animosities was an easy way of getting votes. The Nazis capitalized all sorts of hatred against the Jews. They revived the medieval religious prejudice against a downtrodden people. They urged that Jews, because they were not "Nordic" or "Aryan," were not good Germans. Jews were accused of not being patriotic because of their economic and other affiliations with people of their own race in other countries. The Nazis declared that many of the great banks, newspapers and department stores in Germany were controlled by Jews, who sucked up the money of the poor people in the interests of international Jewry, that the leading war profiteers had been Jews, and that Jews had far more than their share, on the basis of population, of the positions in the professions, especially in law and in medicine.

With this long preparation of propaganda dinned into the ears of the Nazis at their mass meetings, it is not surprising that the Hitler victory in the Reichstag elections, with its natural feeling of exultation and excitement, should have led to a widespread series of outrageous attacks upon Jews by undisciplined Nazis. It is not necessary to suppose that the attacks were deliberately ordered by Hitler or his immediate agents. It is true, however, that in the first days after the election Nazi brown shirts picketed Jewish stores and in some cases broke windows or caused the stores to close, while the government and police took no steps to prevent such injustice. It also appears to be true that innumerable little groups of unauthorized armed Nazis for two or three days carried on a regular campaign calculated to terrorize the Jewish population. Jews in cafés were beaten up. Jewish houses were broken into at night and their inmates dragged out and maltreated. Under the influence of this terror many Jews fled abroad.

Naturally enough the stories told by those who fled were greatly exaggerated. Sensationalist newspapers abroad magnified the horrors with tales of eyes gouged out and Jews murdered at the gates of Jewish cemeteries. Fear, credulity and racial and religious hatred combined to produce stories of "atrocities" such as were once alleged to have been practiced by the Germans in Belgium and France during the World War. How much truth there was in the stories of Nazi outrages against the Jews it is impossible at this time to ascertain. Granting, however, that most of the stories were much exaggerated, there can be no doubt that where there was so much smoke there was some fire. Even Hermann Goering, who is one of the most ruthless of the Nazi leaders, in denouncing the barrage of "foreign defamation," admitted that the national revolution accomplished by Nazis had been marked by "unavoidable" blemishes in the form of irresponsible acts of lawlessness. Such an admission by him means much.

The reports of outrages against Jews in Germany quickly stirred up a feeling of indignation and a wave of protest from Jews abroad, especially in Great Britain and the United States. Jewish societies urged their governments to protest to the German Government. They urged retaliation in the form of a movement to boycott German goods. At first sight these protests seemed to have a beneficial effect in touching a sensitive spot in the Nazi government's armor. Its official spokesmen were profuse in indignantly denying most of the charges as being grossly exaggerated and as manufactured simply to discredit the new National government which had come into power. Hitler announced that strict orders had been given to the Nazi organizations that there should be no more such acts of violence; that no one should act against individual rights except upon orders issued from above.

An editorial in the *Frankfurter Zeitung* summed up the situation in an editorial on March 23, saying:

"Just as the outside world has failed, with the fewest exceptions, to form a true conception of the German state of mind since the war—otherwise the policy pursued toward Germany would have been the opposite of what it was—just as it has completely misunderstood the German youth, so now it has interpreted the recent overturn under the distortion of preconceived opinions and thus misunderstood it. * * *

"Excesses there have been, but to generalize such bad isolated cases into a general picture of Germany does not express the truth. * * * This also applies to the Jewish problem. The unbridled anti-Semitism of National Socialism during the period of agitation is fraught with danger of sudden explosions and appeared indeed to create a threatening situation for German Jews after the overturn. From the demands raised in the outside world—not only in Jewish but also in Christian circles—for succor for German Jews by international action, one would infer that pogroms were the order of the day in Germany.

"We should fail in our journalistic duty if we did not state emphatically that such generalizations do not correspond to the situation in Germany. Since assuming power, the men in authority, at all events, have refrained from anti-Semitic utterances, and it should be remembered that Hermann Goering has assured the Central Jewish Federation that all Jewish citizens loyal to the government would have the protection of the law for person and property.

"Just as one must emphasize that this 'revolution' has been a bloodless one, so the idea that there are any pogroms in Germany must be repudiated. Those circles outside Germany that are propagandizing for international action for the protection of German Jews should, therefore, be made to understand that their activity, however well intentioned, misses the mark.

"National Socialist anti-Semitism is an internal German problem. The intervention of non-German circles distorts the whole question, implies a supererogatory vote of non-confidence in German public opinion, and puts the burden just on those German Jews who, through birth, speech, education and disposition, have felt and still feel themselves united with the German State."

Nevertheless, in spite of this hint from the *Frankfurter Zeitung* that protests from abroad would hurt the German Jews whom it was intended to help, in spite of telegrams from numerous German Jewish organizations that the stories of the anti-Semitic attacks were greatly exaggerated and that they did not welcome foreign interference in the question, in spite of a report from the United States Department of State gathered from its Consuls in Germany indicating "that whereas there was for a short time considerable physical mistreatment of Jews, this phase may be

considered terminated," the foreign campaign of protest increased in vehemence, culminating in a gigantic mass meeting in Madison Square Garden in New York on March 27. And the dangers from such a foreign agitation began to be more apparent than the benefits which had appeared at first sight.

One of the most obvious lessons of history, but one which it is most difficult for people stirred with righteous indignation to learn, is the fact that foreign threats or interference at a time of revolution usually tend to excite and increase the fanaticism of the party against whom it is directed and to injure the people on whose behalf the protest or interference is made. It was notably so in the case of the French Revolution. The Austrian declarations of Padua and Pillnitz only tended to increase the fury of the Republicans against Louis XVI and Marie Antoinette. The interference of the Austrian and Prussian armies led directly to the attack on the Tuileries on Aug. 10, 1792, to the downfall and imprisonment of the King and Queen, and to the arrest of hundreds of "suspects" who were massacred a few days later. So also after the Bolshevist Revolution in Russia. Nothing contributed more to strengthen and consolidate the power and ruthless procedure of the Bolshevists than the intervention on the part of President Wilson and the Allies with the intention of saving the remnants of the Czarist White forces and of crushing bolshevism.

Nevertheless, it may, perhaps, be objected that the analogy is not good, because these were cases of armed intervention, and no sane person is proposing armed intervention in regard to Germany—unless serious trouble should occur on the Polish or the French frontier. But the point is that any foreign interference, even in the lesser form of widespread criticism, formal protests by governments or economic boycotts, is likely to stir the anger and excite the more violent elements in the dominant party into further acts of repression and vengeance against the unfortunate minority.

So also in Germany. The effect on Nazi public opinion of the continued campaign of protest from abroad was to increase the spirit of persecution against the Jews in Germany. Jewish doctors were dismissed from the hospitals; Jewish lawyers and judges were prevented from exercising their functions; Jewish attendance at schools and universities was to be cut down radically. There developed a strong movement to restrict the number of Jews in all the professions and the educational institutions to a number proportional to the total number of Jews in Germany, which is less than 600,000. Finally, the Nazi party organization announced a general boycott of all Jewish stores and of stores financed by Jews to begin on April 1. That is, the wrath of the Nazis at the "foreign atrocity propaganda" was turned against the Jews in Germany. They were accused of injuring Germany by secretly stirring up the propaganda abroad, whereas in reality, as was pointed out above, they had sought to restrain it. Foreign interference, as in the case of the French Revolution and the Bolshevists, appeared again to have had precisely the reverse of the effect intended.

The National Socialist party's proclamation of a boycott against Jewish stores and business establishments was announced from the Nazi Brown House at Munich on March 28. It was declared to be the answer of nationally minded Germany—"tolerated but not supported by the government"—to the demonstrations of protest in Great Britain and the United States. The boycott, it was announced, would start universally throughout Germany on Saturday, April 1, at 10 A. M., and would continue until lifted by the party management. It was to be "a measure of defense against the lies

and defamation of hair-raising perversity being loosed against Germany" from abroad. The details of the execution of the boycott were carefully laid down in eleven articles, the wording of which suggested that Dr. Goebbels may have had a hand in it.

According to these eleven articles, committees of action were to be formed in every local group and organization of the National Socialist party. These committees were to carry out a systematic boycott against Jewish business establishments, goods, physicians and lawyers. The committees were to be responsible for not having the boycott hit the innocent, but were to see to it that it hit the guilty all the harder. They must popularize the boycott through propaganda and public enlightenment and watch the newspapers carefully to see that they participated in the intelligence campaign of the German people against Jewish atrocity propaganda abroad. Newspapers not doing so were to be removed from every house and no German business concern was to advertise in such papers. The committees must be formed in the smallest peasant villages in order to hit Jewish tradesmen in the rural districts.

"The committees shall also take care," the boycott plan read, "that every German having connections abroad shall use these for disseminating the truth—by letter, telegraph and telephone—that quiet and order may reign in Germany; that the German people has no more ardent wish than peaceably to do its work and live in peace with the outside world, and **that it conducts its fight against J ish atrocity propaganda as a pur defensive measure. The committ are responsible for having the wh campaign run off in complete orde ness and with the strictest discipli Do not hurt a hair on a Jew's he We shall settle this drive by the m weight of these measures."**

Though the boycott program v the work of the Nazi party organi tion and not of the Hitler governme and though it was not to begin u April 1, it was broadcast over government-controlled radio on Ma 29 and at once began to go into eff in many places. Nazi pickets pla themselves in front of Jewish sto so effectively that many had to clc The municipal authorities of Ber and many other cities announced t they would buy no supplies exc from Nazi-Nationalist business in tutions. Later statements by the g ernment limited the boycott to o April 1, with the threat that it wo be resumed if foreign agitation did cease. It soon became clear that cause of pressure upon the Cabin both from without and within, boycott would not be repeated. T fate of the Jews of Germany, h ever, continued to distress the wo Such was the situation when th lines were written. For the outco we must wait until the record is c tinued in next month's issue of t magazine.

[For other developments in G many during the month see Profes Fay's article on pages 230-34 of t magazine.]

The Nation's New Leaders

By WILLIAM HARD

[Mr. Hard is a well-known Washington correspondent who has been long and intimately acquainted with many figures prominent in national politics.]

THE cards in the new deal are distributed on four tables: The White House, the Cabinet, the House of Representatives and the Senate. Each table has its own great importance. At the start of every administration the White House and Cabinet tables seem to supersede the other two. Later, however, the pertinacity and permanence of the American Congress becomes apparent.

The ace of the pack is of course in the White House; and this time, as the whole country abundantly realizes, it is an extremely powerful ace. In the first place, Mr. Roosevelt has an extraordinarily penetrating and pervasive and contagious personality. He transmits his buoyancy—and audacity—of temperament to his White House staff, to his Cabinet, and even, in some degree, to those aloof and lofty beings who from their legislative seats on Capitol Hill look rather coolly down upon transitory Presidents and evanescent Presidential appointees. In the second place, Mr. Roosevelt, in the choosing of the members of his Cabinet, has produced not a national Cabinet and not a comprehensively balanced Democratic Cabinet but a boldly and purely Rooseveltian Cabinet. He has had the courage to decide that his will be his own administration.

Nevertheless, it is a many-sided administration. Rooseveltianism cannot apparently be compacted into any one of the old political formulas. It is true that Mr. Roosevelt emphatically claims for himself the title of "Progressive." Let us look, however, at one of his most centrally important appointees and at one of his earliest and most crucial pieces of legislation. The appointee is Lewis Douglas, and the law in question is the economy law.

Mr. Lewis has been made the Director of the Budget. He is the epitome of what could be called "sound conservatism." As a member of the House of Representatives from Arizona, he set his face firmly against large numbers of allegedly "Progressive" agitations among his constituents. He frequently, for instance, expounded to them the vanity of the idea that price-lifting legislation at Washington could in itself secure for us a prosperous agriculture. He also denounced the notion that prosperity in general could be advanced through distributions of Federal largess to veterans and others. He was widely recognized, even before Mr. Roosevelt appointed him to be the Director of the Budget, as one of Washington's foremost exponents of the proposition that the budget must be balanced even if the balancing of it meant a non-Progressive reduction of Federal salaries and a non-Progressive reduction also of the number of Federal employes. The alleged "inhumanity" of such measures did not daunt Mr. Douglas. He is the perfected type of the conservative statesman who decides that certain operations are desirable and then proceeds to perform them irrespective of all outcries of the popular will.

He is young, scholarly, cultivated, attractive, virile. He has been a teacher and a soldier and a business man. He comes of a line of Douglases that have been devoted both to burrowing in libraries and to exploring

in wildernesses. He has a charm that is both wholly manly and at the same time shot through with sensitiveness and tenderness. His ruthlessness as an economizer gives him himself a great deal of pain. It is a great irony that the iron in him has also so much pity. In any case, for the solving of the problem of the budget, Mr. Roosevelt chose a man whose policies are all toward retrenchment and all against inflation; and in the economy law Mr. Roosevelt proceeded to dispel from the minds of his fellow-Democrats on Capitol Hill all theories to the effect that he would countenance a balancing of the budget through any device involving and including a payment of any part of our regular Federal expenses with borrowed money or with unbacked paper money.

Yet meanwhile Mr. Roosevelt had appointed Henry Wallace, "inflationist" and "artificialist," to be Secretary of Agriculture. Mr. Wallace is as adventurously theoretical as Mr. Douglas is hard-headedly practical. Mr. Wallace's grandfather was a great innovating agricultural editor; so was Mr. Wallace's father; so is Mr. Wallace himself; and their location and inspiration has been Iowa. It has been that most headlong part of the American agrarian revolution, the Corn Belt. Mr. Wallace believes in more—and more—currency and he believes also in more—and more—governmental stilts for the raising of the agricultural price structure above its present level and above the level of the present flowings of world trade.

At that latter point he comes into direct philosophical contradiction with another of Mr. Roosevelt's most eminent appointees—Cordell Hull of Tennessee, now Secretary of State. Mr. Hull, as a member of the House of Representatives and as a member of the Senate, gave no support whatsoever to Corn Belt price-lifting proposals such as the McNary-Haugen bill. He sought salvation for agriculture, not in the erection of stilts at home, but in the destruction of artificial economic skyscrapers and barriers throughout the world. Mr. Hull was, and is, an economic internationalist.

His personal characteristics are deep studiousness, deep gentleness, high aims, high and unspectacular methods. He has been responsible for and associated with advanced legislation such as the income tax. Somehow, nevertheless, he has always been devoid of the colorfulness of the agitator. His radiance is a pure clear white. He is a man who walks at a very lofty level indeed. He is among those very few public men who seem to exhale a spiritual quality. There is nobody in Washington more above the dirtinesses and personal pettinesses of politics than Mr. Hull. He has, accordingly, immense prestige, and he directs it, above all, to the laying low (or lower) of tariff duties.

So Mr. Wallace, Secretary of Agriculture, brings in a Farm Relief bill which puts tariff duties up; and Mr. Hull, Secretary of State, prepares for treaties which will bring them down.

It would seem fairly obvious that not all the high cards of the new deal look as if dealt from the same pack. The truth is that the unity among them arises not from the pack but from the dealer. From a certain point of view Mr. Roosevelt's Cabinet consists of three parts: Old Wilsonians; personal Rooseveltian New Yorker friends; and Western Progressive pick-ups.

The Wilsonians are Cordell Hull, Secretary of State; Homer S. Cummings, Attorney General; Claude A. Swanson, Secretary of the Navy, and Daniel Roper, Secretary of Commerce. The personal Rooseveltian New Yorker friends are William H. Woodin, Secretary of the Treasury; James A. Farley, Postmaster General, and Frances Perkins, Secretary of Labor. The Western Progressive pick-ups are George H. Dern, Secretary of War; Harold Ickes, Secretary of the Interior, and Henry Wallace, Secretary of Agriculture.

The four Wilsonians were conspicuous in the policies and activities of the Wilson era. They are Mr. Roosevelt's tribute to the traditions of the Wilson administration, of which he himself, as Assistant Secretary of the Navy, was a by no means inactive or uninfluential part. Mr. Hull, then a member of the House of Representatives, assisted the Wilson administration not only in the writing of the income tax law but in the writing also of the low duties of the 1913 tariff.

Mr. Cummings, during the second term of President Wilson, was made Chairman of the Democratic National Committee. He was especially interested then in securing American acceptance of the covenant of the League of Nations. He bore, and bears, the reputation of being a characteristically Wilsonian "liberal." Coming from the quite conservative State of Connecticut, he has battled there for "liberalism" against great entrenched conservative power in both political parties. In 1932 he conceived Mr. Roosevelt to be the most "liberal" of all the contenders for the Democratic Presidential nomination, and he therefore perfectly naturally and automatically gave him his earnest and emphatic support. Mr. Roosevelt, thereupon, instead of striving to conciliate Mr. Cummings's opponents by appointing one of them to high office, rewarded Mr. Cummings and fortified Rooseveltianism by taking him into the Cabinet family. Mr. Roosevelt, whether he ever read Machiavelli or not, acts fully on Machiavelli's maxim to the general effect that it is absurd to warm your enemies in your bosom. One of Washington's strongest reasons for politically admiring Mr. Roosevelt is that he seeks to strengthen himself not with enemies but with friends.

Mr. Swanson, the new Secretary of the Navy, is one of the most astute and subtle politicians of all times. His political epigrams have marked him as a great political sage and also as a great wit. One of them is: "In politics one needs courage. It takes lots of courage to sit on the fence and get shot at from both sides."

The unexpected slant of the second sentence of that remark is an apt illustration of Mr. Swanson's professional delight in paradoxes of politics. He thereupon becomes delightful to politicians all over the world. This writer had the opportunity to observe him at the Disarmament Conference in Geneva, Switzerland, last year. Mr. Swanson had not been in Geneva six weeks before his familiarity with the intricacies of the politics of all the principal European countries—and his witticisms upon them—had endeared him to all listeners, American and foreign. He is a strong navy man but simultaneously a strong believer in general naval reductions without American disadvantages. He is an American diplomat who will never fall a victim to international reforms which mean benefits to foreign countries and illusions for the United States. He could be called a "Wilsonian liberal"—but an extremely politically sophisticated one. His canniness will be a fortress of strength for the administration in its international naval negotiations.

Mr. Roper, the new Secretary of Commerce, like Mr. Swanson, is a Southerner and, again like Mr. Swanson, a consummate politician. He is also, oddly enough, a great master of statistical figures. As clerk of the Interstate Commerce Committee of the Senate, as clerk of the Ways and Means Committee of the House of Representatives, as expert special agent of the Census Bureau and as Internal Revenue Commissioner before and during the war, he demonstrated remarkable capacity for numbers and for columns of numbers. At the same time he lost none of his interest in that sublime aspect of popular Democratic mathematics—election returns. He has always held to Southern dry progressivism. He was one of the last drys to stop trying to use a retarding broom on the tide of wetness. He

stopped in time to be able to accept Franklin Delano Roosevelt as a new prophet of progressivism, even if also a harbinger of beer. Mr. Roper is sincere and nevertheless also suave, adroit, a great knower of men and a great manipulator of them. He will do his best to make the Department of Commerce serviceable as much to little business men as to big business men. He will also make himself immensely useful to the President in all the problems of technical politics.

It will be seen that the four Wilsonians in Mr. Roosevelt's Cabinet are of fairly varied qualities. The same observation, emphasized, must be made upon the three personal New Yorker friends in it: Mr. Woodin, Secretary of the Treasury, industrialist and financier, musician and coin collector, representative of three generations of money and of the cultivation, as well as economic skill, which they should bring; Mr. Farley, Postmaster General, new to the possession of money, gypsum salesman, building materials merchandiser, Boxing Commissioner, devoted professional practitioner of politics; Miss Perkins, Secretary of Labor, student of proletarian problems, social worker, factory inspector, head administrator finally of New York's labor laws, appointed to be Secretary of Labor over the violent protests of organized labor's chief national spokesman.

In these three Cabinet appointees from New York State, Mr. Roosevelt brought to Washington not people picked for him to represent vested interests but people picked by himself to represent the interests and ideals of Rooseveltianism, whatever Rooseveltianism may be. One of them, Mr. Woodin, has been a Republican. All of them have entire confidence in their chief. All of them—and here we may begin to find some clues to the inner nature of Rooseveltianism—are unafraid of new notions, unterrified by organized groups, whether capitalistic or political or proletarian, and willing to fight for and travel into a novel future. Mr. Woodin does not succumb to Wall Street; Mr. Farley does not succumb to Tammany; Miss Perkins does not succumb to the American Federation of Labor. Yet Mr. Woodin is not anti-wealth, nor Mr. Farley anti-political-machinery, nor Miss Perkins anti-labor. In fact, they are very earnestly pro all these things. They are for them in their own way, in Mr. Roosevelt's way, in the independent way which leads toward that very independent and dominating development—the new deal.

This aspect of the matter is heavily underlined by the three Western Progressive pick-ups in the Cabinet. Mr. Dern, the new Secretary of War, was interested, it is said, in much local progressivism of various political and economic kinds while Governor of Utah. What attracted Mr. Roosevelt to him, however, was his progressivism in the enlarging of the functions of the National Conference of Governors. The making of that conference into an organ of genuinely national utility is indeed a new note in the evolution of our American theory of sovereign States and of Federal union. Mr. Dern sang that note; Mr. Roosevelt heard it and approved.

Mr. Ickes, the new Secretary of the Interior, has been for years the chief ferret of Chicago. He lay at the entrance of the local rat-holes of corruption and could wait for decades till the rats came out to be devoured and destroyed. He was among the first Chicagoans—perhaps altogether the first—to declare a Carthaginian war of extermination upon Samuel Insull. He was—and is—a Republican. He never was able to gather behind him more than the tiniest fraction of the Illinois Republican party. In 1932, he wanted Hiram Johnson for President. Then he wanted Gifford Pinchot. Only afterward did he want Franklin Delano Roosevelt. In supporting Mr. Roosevelt he supported his first big winner in his whole uncorrelated maverick political life. The reward was a Cabinet appointment.

It is explained by the desire of Mr. Roosevelt to please Hiram Johnson. There is a much deeper reason, a psychological reason. Mr. Ickes simply captivated Mr. Roosevelt's fancy. Mr. Ickes's protracted quixotic assaults upon all the most towering strongholds of Chicago and Illinois iniquity qualified him, in Mr. Roosevelt's mind, as being a protagonist of some sort of new deal, of some sort of upsetting of the stodgy Philistines, of some sort of passing of a Jordan into some sort of promised land. So Mr. Ickes, moral hero, and totally unsuccessful Republican politician, is now a Democratic Cabinet officer and a collaborator of Mr. Roosevelt's in the search for whatever the new deal may ultimately turn out to be.

The same sort, precisely, of futuristic politics can be seen in the appointment of Mr. Wallace to be Secretary of Agriculture. Mr. Wallace is an embodiment not of agriculture in general, or as a whole, but of that part of agriculture which strains at the leash toward experiment. Well, give it a chance! So Mr. Wallace is secretary of America's basic industry and a participant in the adumbration of the new deal.

We can thereupon return to our contrast between Mr. Wallace, Secretary of Agriculture and Mr. Douglas, Director of the Budget. It is a comparison which yields at last a resemblance. Mr. Wallace has a progressivism that dares! Mr. Douglas has a conservatism that dares! Each breaks ground toward the future. Mr. Roosevelt, irrespective of progressivism or conservatism, accepts both.

In what mood will Capitol Hill accept that philosophy? In this writer's view it is a philosophy which wholly fits the dominant temperament of the Democratic party in the Senate and in the House of Representatives.

In the House of Representatives the new deal must depend upon Mr. Rainey, Speaker; Mr. Byrns, floor leader; and Mr. Pou, chairman of the Rules Committee. All of them are both progressive and conservative. Mr. Rainey is seventy-two; Mr. Byrns, sixty-three; Mr. Pou, sixty-nine. All of them have seen many things. The more American institutions are contemplated the more the House of Representatives will be descried to be the sheet-anchor of them. In the House of Representatives, whatever may happen in the Senate or in the Presidency, experience is the basic certificate to power.

Mr. Rainey is so progressive that he desires the recognition of Russia. He is so conservative that he shrinks from vast expenditures upon public works. Mr. Byrns is so progressive that he can vehemently denounce the capitalistic subsidies extended to private interests of supposed national importance by Republican administrations. He is so conservative that any national expenditures at all seem to him to be almost essentially unfortunate. As an ex-chairman of the House Committee on Appropriations, his fundamental aim in our national political life is economy. Mr. Pou, as the continuing chairman of the Committee on Rules, will bring in rules for the expeditious passage of almost any legislation that does not go too far one way or too far the other.

In the House of Representatives there is a vast and vigorous Democratic sentiment in favor of, for instance, experiments with the currency. It will be held within the limits of the Rooseveltian new deal, whatever those limits may be, by Mr. Rainey, Mr. Byrns, Mr. Pou.

It is similarly so in the Senate. Mr. Robinson, the Democratic leader of the Senate, finds himself in charge of a majority which is neither ultra-reactionary nor ultra-radical. Sixteen new Democratic Senators have entered the Senate. Only one of them, Homer T. Bone of Washington, could possibly be regarded as a Democratic equivalent for the defeated and eliminated Republican radical Senator, Mr. Brookhart of Iowa, or even for

the simultaneously defeated and eliminated Republican radical Senator, Mr. Blaine of Wisconsin.

All the others, among them even Mr. McAdoo of California, are possessed not of the Democratic progressivism which characterized Mr. Brookhart and Mr. Blaine but of the tentative and exploratory progressivism which is truly the water-mark of the Rooseveltian new deal. In both houses of the Congress the situation lends itself to whatever pressure may be brought upon it one way or the other by the White House.

Accordingly, all must revert with considerable positiveness to the temperament of the White House under Mr. Roosevelt's management of it. What are the distinguishing features of that temperament? Mr. Roosevelt is himself mistaken about them. Fundamentally they have philosophically nothing whatsoever to do with the old arbitrary distinctions between what is progressive and what is conservative, between what is radical and what is reactionary. The temperament of the White House today is toward the energetic anticipation and conquest of the future, no matter what the future may contain. Let Mr. Douglas's ideas for making the United States solvent be called old-fashioned. Let Mr. Wallace's ideas for making the United States an agent of salvation be called new-fangled. Both sets of ideas make a change from what we now have, and a change possibly for the better.

Finally, there are Mr. Roosevelt's three principal assistants in the White House: Louis McHenry Howe, Stephen P. Early, Marvin McIntyre. In the middle of a press conference Mr. Roosevelt will throw back his head and inquire of Mr. Early and of Mr. McIntyre: "Satisfied, Steve? Satisfied, Mac?"

Mr. Early handles the President's relations with the press. Mr. McIntyre handles his relations with visitors in general. Mr. McIntyre could be called his appointment secretary. Most Presidential appointment secretaries wear an extremely anxious look, but Mr. McIntyre seems wholly care-free, or approximately so. Mr. Early seems equally released from excessive anxiety. He deals with the press without exorbitant worry. Why is it? Simply because Mr. Roosevelt has no fear of the future, no doubt of destiny.

There is one ponderer upon it in his environment—Mr. Howe, Colonel Howe who is the one exception to the general exterior exuberance of the new administration. He is closer than anybody else to the President; perhaps his demeanor symbolizes the existing President's actual state of mind. The President is stalwart, thick, robust. Colonel Howe is slender, meager, the meditative counterpart to the President's vigorous activity. He stalks through the corridors of the White House with the air of a Disraeli concealing and contemplating another purchase of a new Suez Canal. Disraeli revealed both the progressivism and the conservatism of the British electorate. So it may be with Roosevelt in relation to the American electorate. One can say of him only that surely he will tap the rock of the future and see what it is that gushes from it.

Why the Banks Collapsed

By BERNHARD OSTROLENK

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ON March 4, 1933, virtually the entire financial machinery of the world was at a standstill. A financial panic which had swept over the United States, shutting banks in one State after another, had forced, early in the morning of that day, the closing of the banks of New York. Immediately, the Governors of those States where banks still remained open proclaimed bank holidays, while the stock and commodity exchanges of the nation suspended operations. All trading in foreign exchange ceased; the exchanges of Paris, Berlin, Tokyo and other financial capitals closed in sympathy with New York and only on the London and Canadian exchanges was a restricted business carried on.

Under such dramatic conditions President Roosevelt took the oath of office. No dramatist or master of scenic design could have set a stage so impressive, so all encompassing, as that on which the new President stepped forth at Washington to deliver before the listening world an address which with little qualification denounced the nation's bankers. Thirty-six hours later, in the early morning of March 6, a Presidential proclamation closed all banks in the United States for four days and placed an embargo on the export of gold.

The exciting events of these late Winter weeks brought to a culmination forces long present in the American banking system. Speculation, the first and greatest of these, time and again in the history of the United States has lured bankers to their ruin. American bankers have never been able to distinguish between commercial, investment and speculative loans. Although it is a principle of sound banking in countries like England, Scotland and Canada that demand deposits in commercial banks should be loaned exclusively for self-liquidating commercial transactions, commercial bankers in the United States have always failed to confine their activities within that field.

That such failure is fundamental to the recent banking crisis will become apparent if one follows the causes of the débâcle to their origin. They go back to the early 1920s, when the banks, after having been chastened by the war inflation which almost wrecked them, began to thaw out their frozen condition. During the war years the banks, tempted by the promise of large profits, had extended huge loans to corporations for enterprises that should have been financed by stock issues. When prices suddenly declined in 1920, the corporations found themselves heavily indebted to the banks, while the banks were congested with commercial paper that could not be liquidated. For several years thereafter banks sought to clear themselves of the loans made to corporations and at the same time the corporations strove to rid themselves of bank domination, a process aided considerably by the return of national prosperity.

The period saw a flow of gold from abroad to the United States, an increase of exports, a revival of automobile production and great activity in building construction. Banks were liquidating their paper and, with the aid of increased savings of the American people which flowed into commer-

cial banks in the form of time deposits, were filling their vaults with cash. At this point bankers, by purchasing bonds, turned again from the sound policy of commercial loans to the ever more profitable investment loans. Perhaps the step was natural because the extension of sound commercial loans requires banking skill; bond buying is only a glorified pawnshop business. The period from 1923 to 1926, when bankers increasingly filled their portfolios with bonds, was the first phase of the cycle of ruin.

From investment loans to speculative loans was the next step. As deposits continued to increase, bankers became aware that they could attract larger sums into their keeping by offering higher rates of interest for time deposits. In theory, time deposits were investment rather than commercial funds, because they were not active accounts and were not expected to be withdrawn readily. In practice, however, time deposits in commercial banks differed little from demand deposits, because banks, instead of insisting upon any period of notice for withdrawals, paid the deposits on demand.

But a high rate of interest on time deposits—generally between 3½ per cent and 4 per cent and in some cases as high as 4½ per cent—made it mandatory that the banks seek investments with a high yield. Since by law the banker is not permitted to buy stocks, bonds with a high yield were sought. But bonds with a high yield are issued only to attract capital to risky enterprises and so are never backed by equity as good as bonds with a low yield; their earning power is not as safe, nor is their marketability as certain.

Investment bankers, scenting this fertile field for profits, did not hesitate to exploit new sources for bond issues. They were attracted first by the difference in interest rates between United States bonds and foreign bonds which allowed them to float in the American market numerous foreign issues at high rates. From 1926 to 1929 a large volume not only of foreign but also of domestic bonds were emitted, all of which were readily absorbed by the commercial banks despite the slight decline in industrial activity in 1927. As cash continued to accumulate in the vaults of commercial banks, the investment bankers found a ready market for virtually any kind of bond issue, which on its face provided a yield adequate for the payment of interest on time deposits.

The entire period from 1921 to 1929 may be regarded as one during which the commercial banks had available a constant stream of funds for investment. As a matter of fact, they were able to buy securities more rapidly than investment banks could supply them, and thus bond prices continued at high levels. Bonds, in fact, began to assume the character of common stocks by advancing in price after they had been purchased by the commercial bankers, a fact which made them appear all the more attractive.

Such a rapid expansion of underwriting overwhelmed the facilities of the older banking houses and brought into the field inexperienced and less scrupulous investment banking firms. South American and European bonds, issued by governments, municipalities and corporations, were brought to America, but the soundness of these bonds had been investigated only superficially, their purpose but hazily defined, while provisions for supervision of the expenditure of the funds were virtually non-existent. Imperfect knowledge and understanding of foreign conditions led to the issue of prospectuses which neither emphasized the weaknesses nor called attention to the risks of these bonds. Meanwhile, collateral bonds based on investment trusts—a new competitor in the field for the purchase of bonds—lien bonds, debenture bonds and preferred stocks were being sold in large amounts to the public as well as to the banks.

At the beginning of 1929 bonds,

with their prices soaring in sympathy with the amazing inflation of the stock market, continued in demand. Commercial banks were being urged to add bond purchasing to their commercial loans; high-sounding theories of the "new era" maintained that commercial banks should have "secondary reserves" in the form of bonds. The large New York banks opened affiliates to issue bonds and then perfected a refined form of blackmail to force them down the throats of such commercial banks as resisted, though it must be added that resistance was never very great. If any one questioned the soundness of such practices, it could be pointed out that they had been given the tacit approval of the President of the United States and his Secretary of the Treasury.

When the stock market crashed in the Fall of 1929, with the subsequent progressive deterioration in industry and financial values, bonds also succumbed until during the last six catastrophic months of 1931 and the early months of 1932 the intimate relation between a bank's soundness and its bond portfolio stood out in stark, bold relief. The decline in bond prices during this period pursued the banks like an avenging fury. It so impaired their assets that suspension of payment became inevitable for hundreds of banks, and the subsequent liquidation of the bond portfolios of the suspended banks contributed to a renewed decline in bond prices.

That the banking situation was serious had been recognized almost from the beginning of the depression, but it did not become generally disquieting until President Hoover's war-debt moratorium in June, 1931. Rumors that Germany might be forced to declare a moratorium on all international external obligations brought prompt liquidation and sharply lowered prices of German bonds. Later, prices of all foreign bonds fell. Bank failures in America for June, 1931, quickly rose to 167 in response to this decline.

In August, when it became apparent that the weakened German situation had frozen English credits, a further decline in bonds was precipitated because London banks sold bonds in New York to bolster their balances in London and Berlin. Bank suspensions in August, 1931, rose to 158, again reflecting the situation in the bond market. In September, 1931, Great Britain's abandonment of the gold standard brought a new crisis in which the consequent flight of deposits from the larger New York banks forced the liquidation of bonds, call loans, commercial paper and other securities in order to meet withdrawals. Subsequently large exports of gold to Europe developed and spread fears among the American people for the safety of the gold standard and of their banks. Further large withdrawals of deposits forced the banks to sell bonds, irrespective of the now utterly demoralized market, and to rediscount eligible paper with the Federal Reserve Banks in order to maintain payment of depositors' demands. Suspension of 305 banks in September and 522 banks in October, the highest on record in any one month, once more showed the sensitivity of banks to conditions in the bond market.

The government at Washington recognized the seriousness of the banking crisis in October, 1931, when President Hoover proposed a temporary measure of self-help in the form of the National Credit Corporation, whereby strong banks would help weaker ones. The corporation, formally organized on Nov. 11, 1931, served temporarily to allay depositors' fears. Bank failures during November were only 175, against 522 in October, but because the National Credit Corporation was not sufficiently liberal and prompt with its loans, the check to the decline in bond prices and to bank failures was only temporary. Naturally, the large liquid banks were unwilling to take over the frozen depreciated securities of the smaller

banks. By December the condition of the banks again became precarious, while the bond market on Dec. 17 registered a new low, bringing with it 358 bank failures. Another low for bond prices was touched on Jan. 5, 1932, when high-grade bonds showed a total decline of 21.4 per cent from their par value.

In consequence, the Reconstruction Finance Corporation was hastily created by Congress, the act being signed by President Hoover on Jan. 22, 1932. By its provisions a total of $2,000,000,000 was made available for the emergency financing of banks and for aid in financing industry, agriculture and commerce. Bank suspensions were immediately checked, dropping progressively from 342 in January to 121 in February and to 48 in March. But with a renewed decline in the bond market, accompanied by a fall in commodity prices, especially of farm products, and a new drain of gold by foreign banks, bank failures rose from 82 in May to 151 in June and 132 in July. During the remainder of the year, as the bond market and commodity prices became stronger, bank failures remained at low levels in comparison with the preceding year. Even so, with bank failures still totaling fifty or sixty a month, the banking system stood indicted.

Throughout this entire period the Reconstruction Finance Corporation was advancing funds and making loans to banks on their non-liquid assets—on those assets which were ineligible for discount at the Federal Reserve Banks. Since all commercial loans are self-liquidating and are eligible for discount with the Federal Reserve, the banks were frozen because of investments in bonds or real estate or because of loans on them which could not be discounted, collected or sold. The R. F. C., by its generous extension of loans on this precarious and speculative security, provided a breathing spell during which measures might have been devised and put into effect for strengthening the banks. But this opportunity was frittered away. Political leaders were busy with the impending election campaign and could not give time or thought to an overhauling of the banking system. By December, 1932, it had become obvious that the vast funds extended by the Reconstruction Finance Corporation had been, as Senator Glass expressed it, "poured down a rat hole."

From almost the beginning the Seventy-second Congress proved impotent to deal with the vast financial problems awaiting solution. Senator Glass's bill, which would have remedied some of the more obvious defects of the banking system and provided machinery for liquidating assets of suspended banks, was almost wrecked by a filibuster in the Senate and never came to a vote in the House. Likewise, the railroad situation, which for two years had ominously overhung the bond market, was left untouched by Congress. Programs for relief and for governmental construction were lost in a legislative tangle, while a confused philosophy of budget-balancing was intermingled with proposals for huge government expenditures for building programs. Neither philosophy resulted in any practical action. As the lame-duck Congress was gasping its last breath, it finally mustered sufficient vigor to pass an amendment to the bankruptcy bill, which provided for the inexpensive burial of defunct railroads and the composition of farm debts with the purpose of conserving some of the assets.

Meanwhile, new signs of weakness had appeared. It became obvious that large volumes of farm mortgages held by financial institutions would have to be written down and that the farmers could not pay interest at prevailing commodity price levels. The real estate situation, which had been menacing the banking situation in New York City and in many other cities, was also now rapidly approaching a crisis. It was at this point that the

stresses and strains of the whole series of crises brought about the progressive closing of American banks.

The closing of any bank in a community, it should be noted, immediately places a strain upon those institutions that remain open, because depositors in the closed banks, through loans from friends and business associates who are customers of the open banks, draw funds from them with which to meet their business expenses. The closing of the Michigan banks on Feb. 14, 1933, partly the consequence of runs when the assets of the banks were frozen in mortgages and bonds, immediately affected the liquid resources of banks in other States, and especially those in Chicago and New York. Corporations, business houses and individuals throughout Michigan began calling for funds wherever business associations, friendships or any other connection gave them access to banks still open. As the banks in one State after another were closed by the Governors this burden had to be borne more and more by New York City.

At the same time the interior banks which kept their reserves in New York or Chicago began to call for them in order to maintain some liquidity. As news of State-wide bank closings spread abroad banks in foreign financial centres began to make heavy withdrawals from New York City or to convert their deposits into gold. The result of these several forces was a total loss of gold by the Reserve Banks for the one week ended March 1 of $226,000,000.

New York banks met these withdrawals by calling loans and selling assets. During the week preceding President Roosevelt's inauguration they sold United States Government and other bonds, commercial paper and acceptances and called their customers' loans—a volume of liquidation which probably reached a height unprecedented in the history of the country. As was to be expected, the bond market declined sharply, high-grade bonds suffering especially. Short-term money rates rose and bankers' acceptances of ninety-day maturities, which had dropped as low as ⅜ per cent in January, rose to 3½ per cent. The New York Federal Reserve Bank, which two weeks earlier had marked its buying rate down to ½ per cent, advanced it successively to 3¼ per cent. Call loans on the Stock Exchange, which had remained at 1 per cent for many months, ran up to 4 per cent. The United States Treasury, which in December, 1932, had marketed bills at 0.09 per annum, had to offer 4.26 per cent on its ninety-one-day bills. While the New York banks were selling bonds and securities the interior banks were also liquidating, and the corporations whose loans were being called by the banks were now frantically out in the market, seeking to convert their assets into cash.

The magnitude of the transactions for the period was revealed on Thursday evening, March 2, when the Federal Reserve Banks published their weekly statement. Gold holdings had dropped $226,000,000; during the week the Federal Reserve System had come to the rescue of member banks by buying from them through the open market the stupendous amount of $204,000,000 in bills on top of $143,000,000 during the previous week; discounted paper totaled $313,000,000, permitting reserve withdrawals of $183,000,000. In three weeks these huge transactions had increased the Federal Reserve notes in circulation by $860,000,000, the largest peacetime increase on record. The ratio of reserves to deposits and notes had dropped to 53.5 per cent, as against 61.2 per cent the week before; the New York ratio was down to 45.8 per cent, while that of Philadelphia had dropped to 40.5 per cent, precariously close to the 40 per cent legal limit.

Though New York newspapers attempted to minimize the sensational character of the Federal Reserve statement by merely publishing the sta-

tistical data in their Friday morning financial sections, and by not calling undue attention to them, the news was electrifying. No day in financial history equaled that agonizing Friday before the inauguration. Added to deposit withdrawals now concentrating on New York from all parts of the United States and from banks throughout the world were frightened runs by local depositors. During the day $100,000,000 in gold was withdrawn. Bonds declined further; money advanced; hoarding spread; a flight from the dollar sent foreign exchange up sharply; wheat and cotton rose, as frightened speculators attempted to convert their cash into commodities. It was a hectic and disheartening day that ended at 3 P. M. when the banks and exchanges finally closed.

At Washington, ever since the Michigan banking débâcle had indicated that banking troubles were inevitable elsewhere, President Hoover had been importuned to call a national bank holiday. Efforts to bring him and President-elect Roosevelt into agreement on such a measure miscarried. Imploring bankers were wildly telegraphing and rushing to Washington for aid, but on the day before the inauguration, while financial liquidation of unprecedented magnitude was taking place in New York, the Federal Government had abdicated all control of the situation. Governor Lehman of New York, begged by hard-pressed bankers to close the banks in his State, had refused to assume the responsibility which he felt belonged to Washington.

Immediately after the closing hour on Friday bankers began to take stock. Late that night, after Governor Lehman had given a statement to the press that he would not close the banks in New York State, bankers began to arrive at his home to lay before him the results of their check-up. They showed him that they could not withstand even a half day of the kind of liquidation to which they had been subjected on Friday. All night long the discussion, argument and telephone calls to Washington continued. At 4:30 on Saturday morning the Governor finally consented with much reluctance to issue a proclamation closing the banks in New York State. With that action the banking system of the nation ceased to function and President Roosevelt's proclamation of March 6 followed logically.

The Federal Reserve statement issued on March 9, officially covering the week ended March 8, but actually only two days—since banking ended for the week on March 3—clearly revealed the seriousness of the situation that had culminated in the national bank holiday. The President's embargo on gold and the ban on withdrawals from the banks came just in time to check the decline of the reserve ratio below the legal limit. Gold reserves had dropped $158,000,000 after the decline of $226,000,000 in the preceding week, an indication of the size of the raids made in the two days before the holiday. On those same days money in circulation jumped $818,000,000 to a new peacetime record of $7,538,000,000, after an advance of $732,000,000 in the week before.

With the decline in gold, the Federal Reserve Banks had been subjected to total withdrawals of $1,097,000,000, a sum to which must be added new open-market purchases of almost $90,000,000 in bills and bonds. To meet these withdrawals the Reserve Banks issued an additional $636,000,000 in currency.

The events leading up to the final suspension of all financial business were epoch-making because of the magnitude of the transactions involved, surpassing, as they did, any previous peacetime transactions in the history of the United States. Yet not the least amazing aspect of the drama was the general calm and confidence with which the public met the crisis once it had been reached. Outwardly there was jest at the temporary inconvenience and possible loss; the

panicky feeling disappeared with the issue of the President's proclamation. In a real sense the nation heaved a sigh of relief that the situation had finally been brought out in the open. Everywhere confidence in the new President and his advisers was apparent, a confidence that was justified, for within ten days many banks were again functioning.

While the banks were closed strenuous efforts were made to provide paper currency for the public in place of their deposits. Normally, there are two kinds of currency in America—money currency and credit currency, the latter consisting of checks by which people pay one another and which is predicated upon their credit in the banks, which is regarded just as much as currency as though it were cash in the pocket.

When the country suspected the soundness of the banks it lost faith in credit currency. During the three years before the bank holiday $15,000,000,000 in credit had dried up and had been replaced by less than $1,500,000,000 of cash currency. Conservative estimates placed the amount of credit which disappeared during the two weeks before the bank holiday at between $3,000,000,000 and $4,000,000,000. Temporarily, at least, money currency had to be substituted for the discredited bank credit. During the two weeks before the bank holiday the Federal Reserve Banks, by straining their resources to the utmost, had emitted $1,225,000,000 in Federal Reserve notes, but obviously even that huge total was insufficient to meet the needs of the country.

Thus the first step was the creation of an emergency currency based not on gold but on good banking assets; the second was to open those banks that were solvent and progressively to free such deposits in insol banks as the assets of the bank w permit. With unprecedented s] Congress enacted legislation on M: 9, five days after President Roose had been inaugurated. It confir the bank-closing proclamation, ‹ powered the Controller of the C rency to take over insolvent ba and provided additional currency. the following Monday, March banks began to open and within ; other few days the stock, bond a commodity exchanges in the coun were operating. Though the emba on gold was not lifted, a foreign ‹ change committee appointed by t Federal Reserve Banks took cha of supervising exchange transactio With remarkable smoothness financ transactions were resumed, while t entire country was suddenly lifted ‹ of the doldrums of depression into exuberant spirit of confidence th was manifest in town and country, the counting houses of Wall Str and in the homes of citizens.

While the government sought spe ily to repair the damage done by t bankers, the problem of permane banking reform remained. Incom tent bankers still control the most se sitive and powerful instrument 1 continued prosperity—bank credit. a group, bankers have demonstrat repeatedly their incapacity and gre and yet in their hands has rested t decision to say who shall have cred what manufacturer or merchant sh control goods and how much. Th have misused that power; they ha shown that banking should no long be left in the hands of irresponsil private groups. The emission of cred to be constant and sound, must be s pervised from the standpoint of t public welfare rather than of priva profit.

Risks of Trade With Russia

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AMERICAN trade relations with Soviet Russia have been surrounded with so much hostility to Soviet institutions, which has arisen from moral or sentimental, rather than economic considerations, that the development of normal commerce has been seriously hampered. With the refusal of the American Government to recognize the Soviet régime has been coupled a belief, fostered by our competitors' propaganda, that business with the Soviet Union is unsafe. Under such conditions it is remarkable that trade of any sort could develop.

Nevertheless in 1930 American exports to the Soviet Union totaled $114,398,537, a figure that did not seem large then, but which today is worthy of consideration. With American foreign trade now at a figure approximating that for 1905, the possibility of penetrating the Soviet market becomes most attractive. As a result, one of the problems which the Roosevelt administration now has to face is whether the traditional hostility to relations with the Soviet Union surpasses the advantages in terms of increased employment and financial gains to American industry which would accrue from recognition and normal commercial relations.

In the fifteen years since the Communist revolution in Russia American exporters have naturally hesitated to extend credits for Soviet trade, since their business would have no diplomatic protection. Throughout this period they have been, as Secretary of State Kellogg said in 1928, availing themselves of the opportunity to engage in trade with Russia "upon their own responsibility and at the own risk." At present this risk, in tl minds of some American busine: men, has been increased by repor that the Soviet Government may l unable to meet obligations that m ture in several Western countries du ing 1933. With a view to overcomir the difficulties that might be create by such a lack of credits, the Amer can Manufacturers Export Associ: tion, representing many Americ producers, recently proposed to intr duce a barter plan, according which proceeds from the sale of S viet goods in the United States wou be used as a revolving fund for tl guarantee of credits extended t American concerns to Soviet trac organizations. Soviet commercial re resentatives in this country, howeve rejected this and similar proposals c the ground that they would not on tie up Soviet exports to the Unit States, which have already been ha hit by various administrative restri tions, but would constitute a bacl ward step in Soviet-American trad American exporters therefore ha been obliged to face squarely th question whether Soviet trade i volves unusual risks and, if it doe whether these risks are outweigh by the advantages of increased e ports to the Soviet Union.

Perhaps the most peculiar featu of commercial relations with the S viet Union, and the one which h troubled many Western business me is that the Soviet Government has monopoly of foreign trade. All sal and purchases, with insignificant e ceptions, are cleared through th People's Commissariat for Trad

which is responsible to the State Planning Commission and the Council for Labor and Defense, and is represented abroad by trade delegations, which combine the functions of commercial attachés and sales organizations. The commissariat annually draws up a plan of exports and imports in conformity with economic conditions then prevailing in the Soviet Union and in world markets. This plan specifies the type and quantity of goods which may be exported and imported in the course of a year. As no goods can leave or enter the country without a government license, all foreign trade is thus rigorously controlled. The commissariat, which is in close contact with the principal Soviet enterprises, such as the timber, oil, wheat and metal trusts, must present to the State Planning Commission a quarterly report of the export licenses it has issued to Soviet trusts and other organizations and the import licenses issued by trade representatives abroad.

Soviet exports are financed by the Bank for Foreign Trade and the State Bank, both controlled by the government. The Soviet tariff is largely a fiscal measure. Duties on imports are collected by the State from enterprises which it already controls, and have no perceptible effect on trade.

The trade agreements concluded by the Soviet Union with other States invariably recognize the existence of the monopoly of foreign trade, and accord diplomatic privileges to the head of the Soviet trade delegation, with the exception of immunity from suit. Even in the United States, where no definite trade agreement exists, a Soviet agency, the Amtorg Trading Corporation of New York, has since 1924 represented the principal Soviet trading and industrial enterprises.

Many business men who have traded with the Soviet Union believe that direct negotiations with Soviet trusts and other institutions would enable them to gauge more accurately the needs of Soviet industry and to avoid some of the red tape which they say, is involved in transactions with trade delegations. They argue moreover, that long-term credits would be more readily extended for Soviet purchases if the risks could be distributed over a number of undertakings, and not made contingent on the solvency of the Soviet Union.

Soviet publicists retort that the foreign trade monopoly offers distinct advantages, as it eliminates the expense of advertising and sales promotion, and places financial responsibility squarely upon the Soviet Government. From the Soviet point of view there certainly are many distinct advantages. The Soviet Government can adjust its export and import plans to world conditions with a rapidity and accuracy impossible for private traders. Thus, if estimates of Soviet exports for the current year show a considerable shrinkage in value, the government immediately curtails its purchases abroad, and consequently incurs no obligations which it cannot expect to meet.

Rapid adjustment is of particular importance in view of the fact that the Soviet Union finances its imports under unusually difficult circumstances. Soviet currency, which is passing through a process of marked inflation, is not quoted on foreign exchanges, and its export is strictly prohibited, while foreign capitalists who might normally have been eager to finance productive enterprises in a relatively undeveloped country, have been alienated by Soviet repudiation of Russia's pre-revolutionary debts and have shown no disposition to grant loans to the Soviet Union. The Soviet Government must pay for imports with such foreign currency as it obtains for exports, except when it succeeds in obtaining long-term credits, as it has done in several European States. Any increase in Soviet purchases abroad, therefore, necessitates a corresponding increase in exports, often at the price of acute shortage on the home market.

In an effort to supplement its resources of gold and foreign currency, and thus improve its unfavorable balance of trade, the Soviet Government has recently established stores where payment may be made only in foreign exchange, permitted Soviet citizens to receive remittances from abroad for the purchase of goods in these stores, dismissed many foreign specialists whose contracts called for payment of salaries in foreign currency, and revised the contracts of other foreign experts. Every effort has been made to encourage tourist traffic and expand gold production. Nevertheless, as a result of the sharp decline in the value of its exports during the past year, the Soviet Government has been forced to exercise increasing economy in its purchases abroad.

Confronted by these financial difficulties, the Soviet Government has shown a marked tendency to place its principal orders in countries where it can obtain credit facilities. Soviet purchases, the bulk of which were made in the United States in 1930, now go largely to Germany, Great Britain and Italy, whose manufacturers extend credits for Soviet trade, usually in cooperation with their respective governments. These credits range from fourteen to fifty-four months, and are backed by government guarantee—70 per cent in Germany and until recently 75 per cent in Italy.

It is still difficult to discount Soviet bills, as foreign banks handle them reluctantly and at fluctuating, often exorbitant, rates of interest. One attempt to alleviate this situation was made in the Soviet-German trade agreement of June, 1932, which provided that interest paid on Soviet acceptances was to be 2 per cent above the Reichsbank rate, but never more than 10 or less than 7 per cent a year.

Despite the various obstacles placed in the way of Soviet financing, the Soviet Government has hitherto scrupulously fulfilled all its obligations on or before the date of maturity. Some observers have declare that the Soviet Government woul "rather die than default" and as last resort would export gold to pa for its obligations. It is not unlikel however, that unless the value of Sc viet exports is substantially increasec the Soviet Union will face a real tes in 1933, when many of its long-terr credits fall due. This is particularl true in the case of Germany, wher Soviet obligations totaling abou $165,000,000 will mature this year, a compared with estimated exports t Germany of $87,200,000. The Sovie Government is now negotiating fc an extension of some of its credits i Germany and Italy. But the Italia Government has been dissatisfie with the present arrangement, unde which Italy pays cash for its Sovie purchases while the Soviet Unio buys Italian goods on credit, and o Feb. 4 denounced its commerci treaty with the Soviet Union.

This issue of Soviet credit underlie all discussions of future American ex ports to the Soviet Union. Until 193 despite the absence of recognitio the United States ranked as one c the principal sources of Soviet in ports. This position of pre-eminenc had been attained chiefly because th Soviet Government wished to pu chase the most modern machinery an equipment for the development of it program of industrialization ar American concerns were particularl well adapted to fill its needs. As a r sult in 1930—the high point of Sovie American trade—American exports t the Soviet Union consisting largely electrical equipment, automobile an transport material, especially tracto and tractor parts, and other machir ery totaled $114,398,537, nearly fiv times the value of American impor from Russia.

Americans who favor the contin ance and development of this trad advocate recognition of the Sovie Government and the conclusion ot commercial treaty. Recognition woul doubtless be an aid. Not only woul

it serve to minimize the risk which many exporters still connect with Soviet trade, but it would give American business in the Soviet Union the assistance of diplomatic and commercial representatives which it now lacks.

Soviet representatives, however, believe that recognition alone is not sufficient, and that further purchases in the United States depend on the extension of credits, possibly guaranteed by the American Government, or the flotation of a loan. Secretary Kellogg stated in 1928, that the United States "views with disfavor the flotation of a loan in the United States or the employment of American credit for the purpose of making an advance to a régime which has repudiated the obligations of Czarist Russia to the United States and its citizens and confiscated the property of American citizens in Russia." The Department of State, however, has declared that it does not object to "the financing incidental to ordinary current commercial intercourse between the two countries, and does not object to banking arrangements necessary to finance contracts for the sale of American goods on long-term credits, provided the financing does not involve the sale of securities to the public."

A number of American firms engaged in the manufacture of industrial and agricultural machinery have in the past extended credits for Soviet trade. The most important of these was the six-year credit granted by the International General Electric Company in 1928, for the purchase of electrical machinery valued at from $21,000,000 to $26,000,000. But such an extension of credits to Soviet trading organizations is still regarded as involving considerable risk, and Soviet acceptances here as in European countries, are rediscounted only with the greatest difficulty and at correspondingly high rates of interest. Advocates of Soviet trade contend that recognition would facilitate the establishment adequate banking and credit arran ments and that, in a period of wor wide defaults and bankruptcies, t Soviet Union, with its vast natural sources and untarnished record prompt payment, is as good a fina cial risk as any other trading count

Assuming that substantial cred are extended, the two questions m frequently asked are: What would t Soviet Union buy here? How wo it repay the credits? With the of cial completion of the first Five-Ye Plan on Dec. 31, 1932, the Sov Government believes that it has la a broad foundation for heavy ind try and industrialized agricultu and that it must now concentrate the production and distribution consumers' goods. Consequently, the near future, the Soviet Uni intends gradually to decrease p chases of machinery and buy lar quantities of equipment for light dustry and of consumers' goods, m of which have been hitherto barred luxuries. According to many servers, the Soviet Union offers almost unlimited market for man factured products of all kinds, a the demand should increase rapi with the rise in the standard of li ing. Soviet trade representatives d clare that orders for manufactur goods to the value of $100,000,0 could be placed in the United Stat if credits were available.

But Soviet purchases abroad depe in large measure upon the sale Soviet goods to foreign countri Only in that way can payments made. Many Americans, howev have opposed the importation of S viet products charging that they a made with "forced labor" and a "dumped" in this country.

In support of the first of the arguments it is asserted that all lab in the Soviet Union is employed by t government, which fixes wages a prices, and that Soviet goods a therefore products of involuntary l bor. The Hawley-Smoot tariff prohi

its the importation not only of articles produced by convict labor, but of those produced by forced or indentured labor as well. But the definition of "forced labor" presents a difficult problem, and the Treasury Department is not in a position, even if it wished, to investigate labor conditions in the Soviet Union, with which the United States has no official relations. As a result, it has refused to take action against Soviet goods merely on hearsay. Competent observers, moreover, have repeatedly stated that, while a certain amount of convict labor may be found in the Soviet Union, as in many other countries, labor in general cannot be described as "forced," and that an unusually high labor turnover actually constitutes one of the most pressing problems of Soviet industry. But the agitation against "forced labor" has subjected Soviet goods to prolonged administrative investigations, involving legal controversies and delays which have seriously hampered trade.

The second argument maintains that Soviet imports are "dumped" in the United States and that a special duty should be levied on them under the anti-dumping act of 1921. "Dumping" is usually defined as the sale of a product abroad at a price lower than that at which it is sold in the domestic market, or lower than the cost of production. In practice it is impossible to determine the cost of production or fair market value in a country like the Soviet Union, where the government is employer of labor, producer and exporter all in one, and where private trade has been reduced to a minimum. That Soviet agencies have on occasion undersold world prices is probably true, but it is doubtful if they have done so to disorganize world markets, on which they ultimately depend for the d posal of their goods; rather they h been seeking foreign currency short notice for payment of p chases abroad. Some account m also be taken of inexperience in m keting and the desire to win n and often hostile customers by tim concessions. In the long run the S viet Government is no more willi than private exporters to suf losses if it can make profits.

Perhaps the most important ar ment directed against Soviet trade that once the Soviet Union has be equipped with factories built with t aid of foreign experts according foreign blue prints and furnish with foreign machinery, it will beco an economically self-sufficient St and, while barring further impor will flood world markets with man factured goods which will unders those of Western nations. Prognos cation is always dangerous. It has ready been pointed out, however, th the Soviet Union is regarded as good market for manufactured goo not only today, but for some years come. Soviet manufactured goods, a cording to qualified observers, are n yet in a position to compete w those of the Western world, except countries like China, where the stan ard of living and purchasing pow of the population are comparative low. Whether Soviet industry will ul mately prove to be the menace whi it has sometimes been represent only the future can tell.

At the moment the Soviet Uni would seem to be a safer market th many which American business m do not hesitate to enter. In any ca the risk is one which, in the prese condition of American foreign tra it seems our business men might co sider taking.

Sidestepping the Farm Problem

By LANE W. LANCASTER

[As Professor of Political Science in the University of Nebraska, the author of the following article has been able to view the farm situation at first hand. His discussion bears the mark, also, of a knowledge of the problems of local government in America.]

FOR more than fifty years every economic force in America has worked against the rural population of the country. In an almost continuous battle to win for agriculture a satisfactory place in a society whose tone and temper have been set by industrialism and the growth of urban civilization, hardly a single skirmish has resulted in real gains for the farmers. And so, when stories of revolt in the farm belt fill the nation's press and the agitation for relief reaches the floor of Congress, the economic historian knows that once again the farmers are desperately taking arms against a host of troubles.

Yet the real issues in the plight of agriculture have seldom been recognized by farm leaders. On the contrary, in seeking temporary advantage for the class they represent, they have played the game according to the rules established by all other seekers of privilege in American society. They have wrangled with Eastern industrialists for tariffs on agricultural products; they have sought local benefits through irrigation projects and inland waterways, and, joining in the scramble for doles from the public treasury, they have demanded lower transportation rates. Nevertheless, the attempt to imitate the successful tactics of the Eastern industrialists has failed because of social forces which have raised obstacles too great for agricultural politics to overcome.

If the difficulties involved in fitting agriculture into a nation-wide pattern formed by industrial forces are t understood, causes, not sympt must be considered. Thus we com once to the allied questions of pop tion and the use of land and to various problems growing out of tl Only on the basis of an understan of such matters can true statesn ship, as distinct from mere polit expediency, develop a sound nati policy.

Until about 1880, the rural pop tion of the United States held its in the national growth. The Fed census of that year showed that o 28.6 per cent of the total populat lived in communities of 8,000 or mc in 1890, the figure was 35.4 per ce Not until 1920 were more than h the population living in urban cc munities. On the surface these figu would seem to indicate a slow url growth, but further analysis shc that the rate of rural growth d nitely diminished after 1880 and t after about 1890 most of the for making for urbanization and ind trialization had come to stay. By 19 fifty-six out of every hundred peo were living in communities classed urban. If this told the whole story would indicate a balance of populat which does not in reality exist, for tually the population attached to soil is much smaller and those w engage in farming are still fewer.

The best estimates now available dicate that the number of persons tually engaged in farm production not greatly in excess of 25,000,0 This means that the labor of 25,0(000 people is sufficient to prod food for approximately 125,000,0 and also a surplus which experts agreed is likely to be a permanent f ture of our agricultural output. Th

retically, there are two possible ways to dispose of this surplus. The first depends upon the ability of the farmer to persuade the city-dweller to consume more of his products. Unfortunately, the demand for food products is inelastic since the human stomach has a limited capacity. Though large numbers of people are still unable to obtain enough food, any greater consumption of foods and fibers depends upon a more equitable distribution of income among the urban population than has yet been achieved.

The second possible market for the farm surplus is abroad. But in countries not yet industrialized, such as India and China, there is insufficient purchasing power to absorb American products at prices which the American producer with his relatively high standard of living could accept. Moreover, even if the sale of products abroad were feasible from this point of view, foreign goods would have to be taken in payment and these would come into direct competition with domestic interests. Those affected would have sufficient political power to prevent by tariffs and commercial regulations the introduction of such products into the American market. Any plan to unload the surplus abroad thus seems doomed to fail.

From the long-time view the prospect at home seems no more attractive. All available evidence points to a slackening in the increase of consumers. Until the end of the 1920s, American producers of all sorts counted confidently upon a rapidly expanding market on the ground that each succeeding Federal census would show a population increase of from 12 to 20 per cent. Here were potential millions to eat bread, use telephones, ride in motor cars. Here, too, was apparently ample justification for grandiose plans to irrigate and reclaim new lands as well as to expand the industrial plant. In short, growth of population was a very good reason for not selling the United States short. But conditions have changed.

The Census Bureau tells a sto
that is not reassuring for the futu
domestic market, at least if it is
be geared to the old rates of popul
tion growth. The decade 1920-19
showed a smaller rate of increa
in population than any other simil
period except that of 1910-19
when the influenza epidemic a
the temporary stoppage of immigı
tion resulted in an even slower ra
Since 1920, however, immigration h
been severely restricted and the birt
rate has fallen abruptly from abo
24 to less than 19 per thousand. T
virtual end of immigration and t
limitation of births are almost certa
to be permanent, with the probable ı
sult that a relatively stationary pop
lation of from 150,000,000 to 175,00
000 will be reached in from twent
five to forty years.

What this means to agriculture
obvious. The farmer now possess
a plant capable of supplying the enti
domestic demand for foods and fibe
for the remainder of the present ce
tury, even if technological advanc
are halted and no additional land
brought under cultivation. Alrea
there are apparently too many rath
than too few persons employed
farming. The problem is not, as soı
in the hysteria of the depression see
to think, that of getting more peop
on the land—where they can at be
maintain only a subsistence level
life—but rather of getting people c
the land. This may seem a hard jud
ment to a people attached to the so
but facts are here a safer guide
policy than sentiment. The gover
ment can obviously do little to sol
such a problem, involving as it do
large shifts of population, and it
equally clear that most of the plaı
now being put forth pay little atte
tion to such fundamentals.

In developing a sound policy f
agriculture, the next thing to consid
is the use of land. The subduing
the American Continent to peacef
pursuits constitutes a story that f
epic quality has few rivals, but, fro

the point of view of 1933, it seems to have been done not wisely but too well. Our historic land policy, which sought to build up an independent yeoman class, has been characterized by wasteful and planless exploitation of natural resources. Its realization has been suffused by the optimism of a young, vigorous and hopeful people, but some of the results are now too painfully evident, though their reality may be admitted only grudgingly by the farmers themselves.

The total land area of the United States is slighly under 2,000,000,000 acres. Of this the Department of Agriculture classes a trifle over one-half as land in farms and of this again nearly two-thirds are in wood-lots, swamps, stony land, roads, lanes and other uncultivable land. On the remaining 386,000,000 acres the farmers are at present producing foods and fibers to supply the entire population of the United States and leave a surplus large enough to damage the farm-price level. In other words, with only about one-fifth of the land area under the plow or devoted to the raising of meat products, there remains an excess plant capacity the productivity of which is being constantly affected by technological advar es and by changing styles in food and fabric consumption.

Certain aspects of this situation were foreseen a generation ago by agricultural experts interested in the land problem, but the knowledge of these men has never made much impression upon the official policy toward agriculture. Congress, with all the available information at its command, has been responsible for appalling waste and extravagance in expenditures for irrigation and reclamation projects and for various schemes for flood control undertaken in the name of agricultural relief. Millions of dollars have been poured into public works, the sole effect of which, apart from benefits to local real estate dealers, contractors and other speculators, has been to increase a surplus already inimical to a prosperous country life.

In 1931 a delegate of the American Society of Civil Engineers at the National Conference on Land Utilization estimated that the appropriation of $300,000,000 for flood control on the Mississippi after the disaster of 1927 would cost $15 per acre for the land benefited. Although various interested minorities may urge additional appropriations, there is no record of any survey having been made to determine whether the lands affected were worth the proposed expenditures. In the sacred name of farm relief—to be achieved through cheaper transportation—enormous sums are spent annually to improve "navigable" streams now carrying "commerce" which, to use the pungent expression of Senator Logan of Kentucky, could all be carried in the shirt-tails of the fishermen along their banks. And this at a time when public credit is being extended to railways which are unable to earn their fixed charges!

This sort of political jobbery is perhaps to be expected under the American system, under which a determined minority easily becomes the effective majority. But the case is hardly better when we turn to the official leaders of agriculture. In their own way they have contributed to the failure to deal in a statesmanlike fashion with the basic problem of how to fit agriculture into the national economy. All the evidence goes to prove that the officials in charge of State departments of agriculture are run-of-mine politicians with little or no conception of the vast forces against which they are expected to pit their powers and with little or no disposition to qualify themselves for their task if by accident they have discovered its proportions.

The record of the agricultural colleges is little better. While in many instances the work of the technical experts in these colleges is beyond praise, the men at the top of the administrative pyramid make a rather

doleful showing. A study of the administrative personnel of American colleges of agriculture shows surprisingly few men of genuinely broad outlook. Their scholarly output is small and for the most part confined to technical problems of production. At a time when the principal problems of agriculture are social in the broadest sense of that term, the trained leaders of agriculture are concentrating their attention upon adding pounds to hogs, increasing the butter-fat content of milk and speeding up the production of eggs. All this may be legitimate work for the expert, but policy-forming officials might reasonably be expected to consider carefully ways to improve rural society and to solve the problems of land utilization and the distribution of the farm surplus. But would not that be the test of agricultural leadership?

The wasteful and unwise use of land and the competition of areas of virgin soil have for years been erecting a new, far-flung national domain. In the last ten years the area of land in crops has decreased in every State east of the Mississippi, as well as in Louisiana, Missouri and Arkansas, as a result of the opening of new areas in the plains States, the development of dry farming and the mechanization of agriculture in the prairie sections. During the same period the wide use of the tractor has eliminated about 9,000,000 horses and mules, thus releasing for crop production between 25,000,000 and 30,000,000 acres formerly devoted to pasture and the raising of food for animals. In the forest regions of the lake States millions ot acres of cut-over land are reverting to the States, counties or townships through non-payment of taxes. The same thing is taking place on the Appalachian slopes, in Florida, in New England and New York and in portions of the Pacific Northwest. In New York State alone the abandonment of farms has been taking place at the rate of 100,000 acres a year for forty years and during the last five years the pace has been more than doubled.

Although these developments have not necessarily increased the supply of land theoretically available for cropping, they have created problems which call insistently for a new land policy. Obviously, government cannot continue to operate successfully in areas where its means of support are constantly dwindling while the demand for public services remains relatively stationary. Every time land returns to the local government and ceases to pay taxes the cost of continuing such services as highways, schools and public health work can be met only by increasing the burden upon the property which is still capable of bearing taxes. In the end this produces more delinquency. Local governments in such rural regions are caught in a vicious circle from which they lack the legal power to escape.

Farms thus passing out of cultivation are likely to be resold by the local authorities to those naïve enough to think they can work them with profit. Land companies will attempt to unload such holdings upon the unwary who retain a sentimental belief in the soil as the source of both public and private wealth. Recent suggestions that the unemployed be returned to the land and settled upon abandoned farms might be dismissed as mere pipe dreams if the probable results were not so disastrous. In most ventures of the sort even people familiar with farming would find it impossible to maintain life above the subsistence level. Much of the glib talk about the "teeming millions" that might be supported in certain of our sparsely populated regions must be regarded as sheer nonsense. Climatic and soil conditions are such in many parts of the country that two sections of land are needed to support a single family in comfort. Tax-delinquent land acquired by the public and resold to private individuals in the desperate hope of realizing revenue from it tends inevitably to become delinquent

again and return to public ownership.

The disposition of vast areas permanently unfitted for cultivation demands organization, which is being created only slowly and which is, moreover, likely to prove inadequate until far-reaching changes have been made in the structure of government. Land returned to public ownership may best be dealt with by devoting it to such uses as forests, wild-life refuges, parks and recreation areas; the specific use of each tract can be determined only after a careful survey of its particular qualities. The development of such a program is beyond the resources of existing local governments. In a county or township where less than half the assessed valuation is actually paying taxes, but where there has been no corresponding diminution in the demands for governmental services, it is obvious that aid must be sought from the State.

This situation leads directly to a reorganization of local government, since aid from the State is not likely to be forthcoming unless concessions are made by the local unit, and such concessions inevitably entail the surrender of some degree of local self-government. While such a development will be resisted by every local vested interest, it cannot be held back forever. In the end, and perhaps within a few years, the demise of the fact of local self-government will be formally gazetted, no matter what becomes of the theory. The theory, after all, was devised to meet the requirements of an ox-cart age. In an era of rapid communication and transportation, of an economic life concentrated in a few centres, yet national and international in its ramifications, the practice of local self-government must be surrendered. No longer is our civilization centred at the town pump or the hitching rail of the court house.

Such are some of the main lines of attack on the so-called farm problem. Only a little imagination is needed to make clear their implications. If the farmer is to adjust himself to a world dominated by a price economy over which he has hitherto had little or no control, he must realize the fundamental factors which determine his present position in that world; he must face the truth that he belongs to a dwindling breed. Whatever may be the present apparent loss in potential profits and individual freedom of action, he must find a way of regulating his output. Whatever his traditions of local self-government, he must stand ready to reorganize his present complicated and costly system of local areas and adopt a new one consistent with the demands of efficient administration. His well-worn notions of democratic equality and the virtue of homespun common sense must no longer permit the neglect of the findings of experts in the field of public finance and administration. With the best of intentions and the most enlightened leadership it may well be that he is doomed to peasantry, as his fellows have been in every modern industrial State. In any event, he cannot hope to escape political and economic extinction if he continues the homeopathic therapy to which he is now devoted.

India's Case for Independence

By D. N. Bannerjea

[The question of Indian self-government has again come to the fore with the British offer of March 17 (described elsewhere in this issue). Having from time to time published articles giving the British point of view, we are now printing the following statement of the Indian Nationalist case by an outstanding Indian scholar. Mr. Bannerjea was one of the twelve original members of the Committee of Intellectual Cooperation of the League of Nations. He resigned in 1924, and after serving as adviser to the International Institute of Agriculture in Rome and to the Bureau of Agricultural Economics in Washington, he was appointed three and a half years ago to his present position of lecturer on Indian History and Public Administration in the University of Berlin. In addition to contributions to leading European and American publications, Mr. Bannerjea is the author of three books: *India's Nation Builders* (1919), *The Present Position and Future Possibilities of Indian Agriculture* (1925) and *The Place of the Indian Village in World Commerce*, which is about to be published.]

The demand of the Indian people to be masters in their own household and to control the future development of their country is justifiable on historical grounds, for no civilized nation with a record of past achievement has ever willingly cooperated in the maintenance of an alien military occupation. The demand, moreover, is in accord with the political development of the British Empire, all the integral parts of which, with the exception of India, are self-governing.

The attempt to belittle the importance of the Indian struggle for freedom and self-expression and to make it appear an exotic on Indian soil, as unsuitable to Indian conditions, ignores both human nature and the lessons of history. If a referendum were taken tomorrow in India on the issue of continued British rule or complete national independence, the whole people, with the exception of a few Indians who believe they benefit under the present system, would unhesitatingly vote for independence. India does not ask for self-government merely on sentimental grounds, but because of a deep-rooted conviction that it will raise public standards and redeem the national character from the sycophancy, sectionalism and inertia which are the legacies of foreign rule. Behind the fight for freedom there is also the desire to stamp out illiteracy, introduce effective sanitation, and to raise the living standards of the millions engaged in agriculture and industry who now eke out a miserable existence on 10 cents a day.

India's demand for independence means that the resources of India shall be developed for the benefit of Indians instead of foreigners, that the country's manhood shall be mobilized for defense and internal security, and that a public spirit shall be created by the direct shouldering of civic responsibility. And it is only in an atmosphere of freedom that these things can be realized.

The idea that India is to be prepared gradually for freedom by foreign rulers, seeking in the first instance the greater glory of England and committed to the belief that India is not capable of self-government, cannot be accepted as reasonable. An eminent British historian, the late Lord Acton, expressed the idea in a nutshell when he said that "voluntary abdication of power is unknown in history and absurd in psychology." The British officials of the Indian Civil Service, who are removable only by a joint vote of both Houses of Parliament, depend for their very ex-

istence as a highly privileged body on maintaining India in perpetual tutelage. Indeed, the Indian Civil Service is the most powerful and highly organized trade union in the world. At the moment these lines are being written, its spokesmen, who are able to influence the British press and foreign cable agencies, are carrying on an intensive and vigorous propaganda throughout England in alliance with retired Police Commissioners and pro-Consuls from India against the release of Gandhi, the grant of even partial Dominion Home Rule to India and the revocation of the numerous ordinances or emergency legislation, by means of which the Viceroy, in obedience to orders from London, is stifling Indian public opinion and suppressing the national movement.

Only those who are ignorant of the magnitude of British interests in India can believe that Great Britain will willingly prepare the country for self-government. India is the training ground of the British Army, whose maintenance consumes 60 per cent of the country's revenue, while the bombing of unprotected villages across the northwest frontier gives British airmen the requisite training for their work. The 8,000 British officers in the British Army draw salaries and allowances more than enough for 50,000 Indian officers. On the pretext of maintaining law and order in India, Great Britain keeps herself in a state of full military and naval efficiency to meet possible emergencies in any part of the world. In the past India has been forced to finance British wars of aggression and annexation in Burma, Egypt, the Sudan, and even in China.

The greater part of the $2,500,000,000 of foreign capital invested in Indian railways, irrigation, mines, jute, tea, coffee and rubber is British. Though the companies conducting these enterprises operate in India, they are registered according to English law in England. The invested capital has the exceptional advantage of exploiting cheap labor, and critics are not lacking who affirm that the incredibly low standard of wages—from 10 to 20 cents a day—is artificially maintained to insure high dividends. Banking, insurance and shipping are British monopolies so far as Indian exports are concerned. The railways, too, are entirely in British hands, and not a single Indian has so far been appointed to the Railway Board. The losses incurred by the railway administration are made good out of Indian funds by loans subscribed for the purpose. Furthermore, 90 per cent of the $3,500,000,000 capital subscribed to India's public debt is also British, India being responsible for the payment of principal and interest while the dividends go to British investors. It has been estimated that 25 per cent of all dividends from British investments abroad comes from India.

The Earl of Winterton, a former Under-Secretary for India, calculated in 1927 that some 8,000 retired civilians in Great Britain annually draw pensions aggregating $20,000,000 out of India's public funds. While, according to the estimate of Professor K. T. Shah, the average annual income of the Indian people in 1924 was $21 per capita, the large army of highly privileged officials in the civil services are paid salaries on a scale out of all proportion to India's resources and after twenty-four years retire on annual pensions of just over $6,000. These pensions, like the major part of the salaries paid while in service, are spent in England or elsewhere outside India. Within the last twenty years the salaries of officials have been twice increased in accordance with recommendations embodied in the Islington (1913) and the Lee (1925) Royal Commissions, those of the latter being certified by the Viceroy in defiance of the adverse vote of the Indian Legislative Assembly.

But it will be asked, Are not the British authorities themselves in complete agreement with India's national aspirations? The reply is that the

British Government has paid lip loyalty to these aims, but its entire contribution during the century and a half of its rule has been almost negligible. Today the maintenance of the British army in India—British because in spite of its Indian elements it is entirely under British control and subserves British purposes—consumes nearly 60 per cent of India's revenues, whereas not even a third of that sum is devoted to education.

According to the official *Statement Exhibiting the Moral and Material Progress and Condition of India,* 1929, "few will be found to deny that lack of education, especially among the masses, is one of the main roots of India's ills, social, economic and political, and that her comparative backwardness in so many spheres of human activity is traceable to this ultimate cause. On the eradication of this defect depend alike the economic uplift of the people and the full and intelligent realization of those ideals of nationhood and self-government so long and fervently cherished by her political leaders." When we contrast this eloquent appeal with the actual achievement, we find that during more than a century of educational effort, out of a population of 280,000,000 (excluding the population under the jurisdiction of the ruling Princes) the government's policy has produced only 18,000,000 literates, namely, people who can read a short letter in a provincial dialect, do a simple sum and sign their name to a document.

The character of British rule or the success or failure of a foreign administration, however benevolent, is not the issue. Even if British rule has notable and lasting achievements to its credit, that would in itself constitute its most crushing indictment. A system of bureaucratic despotism cannot be indefinitely maintained without destroying the initiative and moral stamina of the governed.

This result is achieved in two ways. First, the formulation of policy and the promulgation of the necessary measures to give it effect remain in the hands of the political, judicial, military and educational secretaries of the government of India, who until recently have been exclusively British and are still mainly so. Secondly, the general policy has been to reserve all positions of authority and initiative in the military and civil services, with their attractive emoluments and generous pensions, for the privileged British hierarchy, while distributing the lower positions that pay from $25 a month and upward to a large army of Indian subordinates who carry out instructions and do all the detailed work for their British superiors. It is the scramble for these subordinate positions that has helped to bring about the deterioration of the national character, for the essential conditions of admission are servility, lack of initiative and the "loyal" record of the candidate's family.

"In all attempts to govern a country by a benevolent despotism, the governed are crushed down," said Ramsay MacDonald in his book, *The Awakening of India* (1910). "They become subjects who obey, not citizens who act. Their literature, their art, their spiritual expression, go. When we recall the riches of Indian civilization in the past, it becomes plain that the loss of initiative and self-development has been greater in India than in almost any other country." In making these statements Mr. MacDonald only reaffirmed the dictum of Professor Seeley, who in his *Expansion of England* said that "subjection for a long time to a foreign yoke is one of the most potent causes of national deterioration." It is self-evident that officials belonging to another country and tradition, not knowing the language of the people, spending their personal and social life in complete isolation from the people, cannot be expected to understand the crying needs of a country 25 per cent of whose population goes to bed from year to year without having taken a single substantial meal.

These failures and misunderstandings are not due to a double dose of original sin in the British officials concerned. Placed above want, even living on a scale impossible in their own country, and maintained in privileged authority, it is not possible for them to visualize the urgent needs of those committed to their charge. Neither their devotion to duty as defined by themselves nor their administrative efficiency can be disputed, but since they do not belong to the country the promotion of its welfare does not lie very near to their hearts. As they do not have to live the life of the people or take their part in its joys and sorrows, struggles and frustrations, administrative efficiency and the promotion of the public good tend to become separate things. Gandhi expresses the same idea when he compares the needs of the official to those of an elephant and the needs of the people to those of an ant, and suggests that there is not much possibility of reconciling the two.

India's 700,000 villages have been so grossly neglected that in many of them a pure water supply does not exist. The treatment of preventable disease shows few results apart from the initiation of half-hearted efforts in isolated instances. At a time when the resources of modern science could stamp out disease, dirt and ignorance from rural India, the attempts so far made have been appallingly inadequate. Here is the testimony of the experts of the Royal Commission on Indian Agriculture: "Sanitation, in any accepted sense of the word, is practically non-existent. * * * This predisposes to hookworm infestation and to the spread of all the diseases which are caused by a polluted water supply, for the same water is in many places used both for drinking and bathing purposes. * * * Unprotected wells and tanks; unswept village streets; close pent windows excluding all ventilation; it is in such condition that the average villager lives."

This statement illustrates the *laissez-faire* policy of the government. Living in towns and absorbed in their own departmental work, officials dare not embark on legislation, however elementary or urgent. Repression is freely resorted to by the government to crush opposition to its will, but it abstains from the exercise of even persuasive pressure to carry out the simplest requirements of public health. The logic of the situation obviously demands the election of the people's own representatives pledged to a policy of progressive reform and inspired by the ambition to raise India's position among the nations.

At this point the familiar objection will probably be raised that India is a mere geographical expression, apart from the political and administrative unity which British authority has given it, and that it is erroneous to speak of national demands or representatives chosen by the people. India, however, has always been the historical expression of distinctive cultural and political affinities within a definite geographical area ruled for centuries by Hindu emperors like Chandra Gupta, Asoka and Samadra Gupta, who not only governed the greater part of India but gave her a settled administration, code of laws and industrial and agricultural prosperity, or by Mohammedan Emperors like Baber and Akbar, the latter of whom brought India to her summit of political solidarity, even-handed justice, religious toleration and prestige among the nations of the world. Baber, Himayun and Akbar are described by Renan as "the most striking personalities in medieval India, who can easily challenge comparison with the best rulers during the period of Enlightenment."

Except when foreign invaders disturbed the public peace, the Hindus and Mohammedans of India have lived together on amicable terms for centuries. But the British have created artificial standards for measuring national unity, such as a uniform lan-

guage and a common religion—standards which can be shown to be entirely inapplicable to many sovereign national States for the simple reason that national unity is determined by the desire for national sovereignty within defined territorial limits. If the assimilation of diverse elements and races under the influence of such a national sentiment in India has not proceeded more rapidly, it is because the entire State machinery has been and is directed toward hindering the process. Such political expedients as separate electoral colleges for Hindus and Mohammedans, for Anglo-Indians and Indian Christians, to which the members of the provincial legislatures and the National Legislative Assembly are sent, not to fight on common Indian issues, but for special privileges for their several communities, can only be described as rooted in a policy of "divide and rule," whatever official explanation may be given for such expedients. This much was admitted by Lord Olivier, who was Secretary of State for India in the first British Labor Cabinet, when, in a letter to the London *Times* in 1926, he said: "No one with a close acquaintance with Indian affairs will be prepared to deny that, on the whole, there is a predominant bias in British officialdom in favor of the Moslem community, partly on the ground of closer sympathy, but more largely as a makeweight against Hindu nationalism."

Equally untruthful and misleading is the allegation often made that the Indian National Congress is an instrument for the establishment of Hindu hegemony and that, therefore, the Mohammedans generally hold aloof from it. On the contrary, the Congress has drawn upon itself the hostility of Prime Minister MacDonald and Sir Samuel Hoare, Indian Secretary in the present British Government, because it stands for no race or creed, avoids all sectarian controversies and concentrates its energies on the early establishment of self-government. Nor do the Mohammedans hold aloof from the Indian National Congress. It is an open secret that the British Government in India used machine guns on peaceful crowds in Peshawar only two years ago and resorted to wholesale terrorism in order to break up the branches which rallied under the Congress standard. The so-called Mohammedan leaders, whose names appear in English and Continental newspapers, are mere creatures of the government, without standing in India and without influence there except in the direction of working mischief. Hindus and Mohammedans could reach agreement tomorrow were it not for the continuous wire-pulling of those in authority who expect to benefit by keeping them divided. In such circumstances, India is convinced that it is not possible to realize any practical scheme of self-government by cooperation with the British Government.

The non-cooperation movement is not, as has been alleged by Sir Samuel Hoare, a movement to undermine authority. It has as its sole object to compel the British Government to redeem the solemn promises repeatedly made of the grant of self-government to India, pledges to which the British Government and Parliament stand irrevocably committed. Yet it is extremely difficult to make this fact known to the rest of the world, for India's adversaries control the cable agencies and various organs of public opinion, flooding Europe and America with their Blue Books and propaganda sheets and having at their disposal an army of trained lecturers. At the same time, censorship and confiscation are freely resorted to. Recently such books by American authors as Dr. J. T. Sunderland's *India in Bondage*, Will Durant's *The Case for India*, and Bishop Frederick Bohn Fisher's *That Strange Little Brown Man*, a biography of Gandhi based on a close personal friendship and an impartial study of India affairs have been suppressed in India.

The present situation in India is very dark. The reign of law has been suspended, and the government, in order to break down all opposition to its will, rules by emergency decree, special tribunals and a complete denial of the elementary liberties of the press, speech and public association. In Calcutta and various other towns in Bengal martial law prevails in all but name; the public thoroughfares are patrolled by British soldiers and every effort is made to stifle public opinion and political protest. The government has thus forfeited the basis of its authority.

Since the peace settlement of 1918, India has continuously charged the British Government with betrayal of its plighted word. Was it for a few petty concessions—ten more Indians in the Indian Civil Service or five more "honorary" lieutenants in the army—that India was called upon to sacrifice more than a million men and over $500,000,000 and to subscribe to a war loan of another $700,000,000 in the great war for the liberation of all nations groaning under an alien yoke? The struggle between the Indian National Congress and the British Government must continue as long as the latter is determined to preserve its despotic authority.

The first Round Table Conference, which met in London in 1930, was not taken seriously in India, because Gandhi and the Indian National Congress were excluded from its deliberations. The second conference, however, was attended by Gandhi, who left India on Aug. 27, 1931, as the plenipotentiary of one of the high contracting parties to the Gandhi-Irwin pact. But on arriving in England, Gandhi discovered that strenuous and subtle efforts were being made by the cleverest brains of the British Empire to submerge all fundamental issues. The ruling Princes of India expressed their willingness to enter an Indian federation, partly as the result of exuberant and untempered enthusiasm to assist in developing a federal government, but largely under the tutorship of those who sought to hinder the growth of responsible institutions with the weight of medieval tradition. The Lord Chancellor delivered solemn orations, Mr. MacDonald philosophized on Indian culture and many noble Lords exchanged notes of good-will with their Indian fellow-delegates, without coming to real grips with any subject, without defining the limits of the proposed federal authority or of the powers to be delegated to the provinces. The proceedings dragged on like a "tale told by an idiot, full of sound and fury signifying nothing."

With the exception of Gandhi, the delegates to the second conference were nominees of the Viceroy or of the Provincial Governors. The only Nationalist Mohammedan that was not excluded was Sir Ali Imam, who was made a scapegoat and the butt of Tory ridicule at the House of Commons gathering where Maulana Shaukat Ali, the so-called Communalist leader, but really a retired official of the Opium Department, sang the glories of the British Empire, embraced police officials and dreamt of creating a new Caliphate. The Round Table Conference failed because its organizers relied on the differences between Hindu and Mohammedan Communalists to obstruct the way to a fruitful agreement.

An insight into the minds of the delegates nominated by the Viceroy may be obtained by the following excerpt from Command Paper 3997, page 157, which reports Mr. Fazl-ul-Haq as saying: "My God is for separate electorates; his God is for joint electorates. So far as my God is concerned, He is for separate electorates. Dr. Moonje's God is all for joint electorates. We educated and cultured people have been selected with some care by the government of India to come here and discuss and try to arrive at a common agreement regarding the future Constitution of our country and could not get rid of our communal bias."

The so-called Indian policy of the British Government, which Parliament was asked on Dec. 3, 1931, to approve, was no policy at all, but a rough outline of general principles and a miscellany of abstract proposals. Winston Churchill, who was criticized as a Tory Diehard for opposing it, spoke in reality as the mouthpiece of the same Conservative party of which Sir Samuel Hoare is a member and on which Mr. Ramsay MacDonald depends for his present position of Prime Minister. "It was," Mr. Churchill said, "part of the innocent lobby propaganda of the Conservative whips that there was no need for Conservative apprehension about the Prime Minister's declaration or about the Round Table Conference proceedings, because, it was said, all depended on agreement between Indians themselves, and this agreement would certainly not be obtained."

The conference broke up because, in spite of the spirited and friendly appeal of Wedgwood Benn and H. B. Lees-Smith, members of the Labor Cabinet, to save the conference from a disastrous ending, Mr. MacDonald and his Tory masters were determined to exploit to the fullest the result of the general election that had meanwhile taken place and given the Conservatives an overwhelming majority in the House of Commons. It was an open secret that before the delegates left for home the prisons in India were being emptied of ordinary criminals to make room for Gandhi and his non-cooperators. As for the third Round Table Conference, it was merely an assemblage of miscellaneous titled nonentities, without any mandate from the Indian people and without influence to carry out any of the proposals on which agreement is said to have been reached behind closed doors on Dec. 24, 1932.

In striving to suppress the Indian demand for freedom, the British are fighting against the time spirit, whereas India, in struggling against its bondage, is no more than obeying the necessity expressed in the immortal words of Thomas Jefferson—"to assume among the powers of the earth the separate and equal station to which the laws of nature and of nature's God entitle them."

Trotsky Turns Historian

By George Vernadsky

[The author of the following article, a Russian by birth, is a member of the faculty of Yale University. He is perhaps best known in the United States for his works: *A History of Russia*, *Lenin: Red Dictator* and *The Russian Revolution: 1917-31*.]

It has been in exile during what Trotsky hopes will be only an interval between his past and his future political ascendency that he has written *The History of the Russian Revolution*. (Three volumes. New York: Simon & Schuster, 1933. $10.) It is a truly monumental work and a rare—perhaps unique—case of the history of a great revolutionary movement told by one of its outstanding leaders. Of the other Bolshevik leaders, Lenin was until the end too busy with everyday administrative duties to consider writing a history, as is Stalin at the present time. In the great French Revolution, too, neither did Danton nor Robespierre nor the other leaders have the opportunity of looking back upon their revolutionary work.

One other prominent man of the Russian revolution, the leader of the Constitutional-Democratic or Kadet party, Professor Miliukov, however, has also written a history of the revolution, covering approximately the same ground as Trotsky's. (It was published in Sofia, Bulgaria, in 1921.) But Miliukov was at the helm of events less than two months before he was quickly pushed aside by the more radical elements. Moreover, in the eyes of the Socialists, Miliukov, as a bourgeois, was, and could not help but be, an enemy of the revolution as they understood it. And, incidentally, Trotsky's opinion of Miliukov's history is not a high one. According to him, the book "is false from beginning to end."

To understand the significance of Trotsky's book one should glance back at his career in the Russian revolutionary movement. It opens in 1903 at the convention of the Russian Social Democratic party when in the split between the Bolsheviks and the Mensheviks Trotsky sided with the Mensheviks. The Bolsheviks, headed by Lenin, advocated a violent revolution directed by a secret body of leaders; the Mensheviks preferred the tactics of parliamentary opposition on the model of the German Social Democrats. Trotsky's ascendency as a revolutionary figure, however, dates from 1905, when he became the chairman of the first Russian Soviet in St. Petersburg. At that time he attempted to maintain a balance between the Bolsheviks and the Mensheviks while promoting his theory of "permanent revolution." Russia, he argued, must enter the gates of revolution by the path of democratic, bourgeois revolt, which later should be converted into an implacable socialistic upheaval.

Arrested soon after by the administration of Count Witte, Trotsky was tried and exiled to Siberia, from which he made a daring escape. After spending a few months in Finland he settled in Vienna, where he was living at the outbreak of the World War. Again he swung to the Mensheviks, various groups of which he tried to unite into a single bloc. During the war he lived first in Switzerland, then in France until he was deported to Spain because of his defeatist propaganda. In 1917, when the news of the Russian revolution came, he was in the United States, but at once he sailed for Russia. At Halifax he was arrested by the British police, who let him go reluctantly, and only because of the in-

sistent demand of the Provisional Government. By May, 1917, he was once more in Russia, where he at once became one of the most prominent political leaders.

During the war he had withdrawn from the Mensheviks because they were not ready to share his "defeatist" ideas, but he did not join the Bolsheviks. Even after returning to Russia he maintained a position between the two factions, and it was only in August, 1917, that he finally yielded to the more radical Bolsheviks. He was arrested by the Provisional Government after the so-called "July uprising," which was the first abortive attempt at a Bolshevik revolution. In September he was set free, since the Provisional Government was then in need of allies against General Kornilov's counter-revolutionary movement. Soon after his release Trotsky was elected chairman of the Petrograd Soviet, and at once he began preparing the Bolshevik coup d'état which was planned for November. During this period Trotsky displayed an activity which can be described only as feverish; his usual platform was the Circus Moderne, which he described so picturesquely in his memoirs. For a time he yielded before Lenin's authority. Lenin greatly appreciated Trotsky's ability and urged him to become Commissar of Foreign Affairs and then Commissar of War in the Soviet Cabinet. After Lenin's exit Trotsky was no longer ready to submit to party discipline, since he aspired to obtain the leadership himself. At this juncture came his clash with Stalin which finally led to exile on Prinkipo Island.

The three volumes of Trotsky's work present the story of the Russian revolution from the downfall of czarism in March, 1917, to the Bolshevik uprising in November.* Trotsky's own ambition is not that of producing an "impartial" book, since he does not believe in the possibility of impartiality in historical writing. He claims, however, to have given "an honest study of the facts, a determination of their real connections, an exposure of the casual laws of their movement." And, on the whole, has he not succeeded in doing so?

No one, of course, would expect to find impartiality in Trotsky's picture of old Russia. And yet one cannot deny that the chapters devoted to the historical background of the revolution are cleverly organized, that the weak points of the monarchy are adroitly exposed and that the rapid industrial growth of pre-war Russia is recognized.

"Between the first revolution and the war industrial production in Russia approximately doubled," he admits. Nevertheless he takes issue with Professor Pokrovsky's opinion that "we must abandon the legend of backwardness and slow growth" in Russian economic life.

The March revolution brought about an attempt to create a democratic régime by means of a coalition between the radicals (Kadets) and the Socialists (both Mensheviks and Social Revolutionaries). The new government styled itself as "Provisional" because of the idea that only a Constituent Assembly elected by universal suffrage was qualified to organize a permanent democratic government. The date for electing Deputies to the Constituent Assembly was, after some hesitation, finally set for Nov. 25, 1917, but three weeks before this date the Bolsheviks seized power in the name of the Soviets.

Trotsky's aim is not only to describe the events of these months but to expound their inner connection and underlying motives. The March revolution, according to him, succeeded in building up only the appearance of a new government whose overthrow by the Bolsheviks was inevitable since they alone understood that the foun-

*Trotsky has kept the old style calendar in his narrative in accordance with Russian usage. (The old style was in force in Russia until February, 1918.) Thus Trotsky speaks of February and October revolutions instead of March and November.

dation of the new régime could be laid only by a Communist revolution. The fundamental mistake of the Socialists, according to Trotsky, consisted in their hazy conception of the nature of the revolution. Both the Mensheviks and the Social Revolutionaries were of the opinion that what took place in Russia in March, 1917, was a democratic or semi-bourgeois revolution; because of this view the Socialists believed that a compromise with the Kadets, or bourgeois democrats, was essential. Thus, in Trotsky's opinion, the Socialists became "Compromisers."

The Social Revolutionaries were more interested in agrarian than in proletarian socialism, but even the Mensheviks, who were pure Marxists, opposed the idea of a proletarian dictatorship in Russia. The Mensheviks argued that since Russia was a backward country, the capitalist system was still for a period the only possible economic system. Trotsky takes issue with this Menshevik assertion. "Capitalism," he says, "is not a national but a world-wide system. The imperialist war and its consequences demonstrated that the capitalist system has exhausted itself on a world scale. The revolution in Russia was a breaking of the weakest link in the system of world-wide capitalism."

If, according to Trotsky, the "Compromisers" failed to adapt their theories to the sociological factors which made a further "deepening" of the revolution inevitable, their greatest practical failure was the result of the lack of real leadership among them. The exiled historian cannot help reveling in bitter comment on the Socialist leaders. One of them, Avksentiev, is characterized as a "complete caricature of a statesman," as "a man made for provincial banquets but not for a peasant war." Skobelev produced on Trotsky "the impression of a student playing the rôle of statesman on a home-made stage." Kerensky, Minister of Justice in the first Cabinet of the Provisional Government and subsequently its chairman, had, in Trotsky's opinion, "no theoretical preparation, no political schooling, no ability to think, no political will." Only one man among the Socialists receives milder treatment from the pen of Trotsky, and that is Martov, the veteran Menshevik, but even he proved to be not much better during the great crisis, when, declares Trotsky, he "floundered hopelessly and swung in the air." It was especially in the military branch of the administration that the Russian Socialists failed. "The petty bourgeoisie intelligentsia could give the army a considerable number of lower officers, as they had done under czarism, but they could not create a commanding corps in their own image, for they had no image of their own."

It is, however, not against the Socialists that Trotsky directs the choicest arrows of his bitterness. The Bolsheviks themselves, in his opinion, were no less ineffectual, and it was only the insight of both Lenin and Trotsky that finally succeeded in pulling them in the right direction. Before Lenin's arrival from Switzerland the Bolshevik party, according to Trotsky, shared with the Socialists the failure to provide the revolutionary movement with real leadership. The workers started the street demonstrations in Petrograd at the end of February, 1917, without guidance from the Bolshevik committee. The "fraternizing" between the revolutionary workers and the Cossacks resulted from the initiative of individual workers and not from the Bolshevik or any other organized political party. After the formation of the first Cabinet of the Provisional Government, which was entirely bourgeois with the exception of Kerensky, the leaders of the Bolshevik party then at hand decided to support the temporary agreement of the Soviets with the government. Stalin, in particular, is to be held responsible, in Trotsky's opinion, for the "opportunist" tactics of the party.

It was Lenin's arrival from abroad

that changed the party's policies and raised the banner of civil war. Trotsky returned to Russia with the same ideas as Lenin and the two became allies in the struggle to overthrow the Provisional Government and the Socialist majority in the Soviets. Thus Lenin and Trotsky worked hand in hand, while Stalin helplessly tumbled after. Such is Trotsky's account of the trends within the Bolshevik party in 1917.

Trotsky's narrative is undeniably permeated by ill-suppressed bias. While writing his book he attempted to eliminate the personal element as far as possible. He chose to speak of himself in the third person and with considerable reserve. Nevertheless, all the three volumes of his history are essentially partial in their underlying motives. This is to be expected, particularly if we consider the circumstances in which the book was written. For Trotsky the picture of the past is but a setting for the future. Having been expelled from the Communist party by Stalin and his associates in 1927, Trotsky quite naturally is disposed to find fault with everything Stalin has done. On the other hand, he attempts to justify and defend his own point of view by constantly invoking the name of Lenin. In addition to being a history of the Russian revolution, Trotsky's book is an impassioned invective against his enemies.

A great master of the technique of revolutionary movements, Trotsky has succeeded in giving us penetrating glimpses into the growth of revolutionary ardor among the proletarian masses of Petrograd. His method consists in a psychological analysis of the changes in the mood of labor. The late Professor Pokrovsky, a leading Communist historian of Soviet Russia, expressed some reservations as to Trotsky's method. According to Pokrovsky, Trotsky paid too much attention to the psychological aspect of the revolution while failing to give due consideration to its economic side. Answering Professor Pokrovsky, Trotsky remarked that "it would be the crudest mistake to assume that the second revolution was accomplished eight months after the first, owing to the fact that the bread ration was lowered during that period from a pound and a half to three-quarters of a pound. In the years immediately following the October [November] revolution the food situation of the masses continued steadily to grow worse. Nevertheless the hopes of the counter-revolutionary politicians for a new overturn were defeated every time."

There can be no doubt that the economic hardships of the Russian people during the period of the Provisional Government were but a mere trifle as compared with those of the subsequent period. Indeed, it was only the introduction in 1921 of the New Economic Policy (NEP), bringing about the reconstruction of both industry and agriculture, which saved the revolution from complete collapse. But was not the NEP a new compromise with capitalism? There can be no doubt that it was. It proved, however, to be only a temporary manoeuvre of the ruling group, and a new drive of military communism began in 1928 in the form of the Five-Year Plan.

Throughout this first decade of the Russian revolution Trotsky stood out as one of the "Big Three." If Lenin may be called the Cromwell of the Russian revolution, and Stalin its Robespierre, Trotsky is its Danton. Though each of the Russian leaders has a character all his own, Trotsky is the direct opposite of the other two in more than one respect. Both Lenin and Stalin are of the ascetic type of Russian revolutionary—real high priests of the Communist church—but Trotsky is a man of a much more secular disposition. While the first two represent in this respect the traditional tendency of the Russian intelligentsia, Trotsky's personal tastes

are much more those of the international middle class.

Neither Lenin nor Stalin showed much concern over the outward display of their sovereignty. It was the essence of power they sought and not its pomp and pageantry. Trotsky, on the other hand, was ever in need of a stage, an audience. It was because of this diversity in their methods and ambitions that Lenin and Trotsky supplemented each other so completely during the November revolution of 1917. While Lenin, remaining under cover, directed the course of events and manipulated the secret strings that set the whole revolutionary machine in motion, Trotsky was on the stage delivering dramatic speeches, giving drastic orders to the military revolutionary committee, leading a violent campaign against the Mensheviks and other "Compromisers." If one attempts to select from the press of that period materials bearing on the progress of the revolutionary movement—as, for example, Oldenbourg has so aptly done in his *Coup d'état Bolchéviste*—one might easily obtain the impression that Trotsky was the chief, if not the only, promoter of the revolution. But that impression would be wrong. In the background was the mighty, though shadowy, figure of Lenin.

Another and perhaps more serious discrepancy between Trotsky and the two other leaders is to be found in their attitudes toward what may be called the national aspect of the Russian revolution. All three have always professed an ardent internationalism. The Russian revolution has always been for them, in theory at least, merely the first stage of a world cataclysm. It was in the name of the Red International that the victories of the revolution in Russia were fought and won. But the world revolution was too long in abeyance, and Russia alone was prompt in offering herself as a laboratory for Communist experiment. Gradually the Communist leaders began to draw the inevitable conclusions from this turn of events.

After the introduction of the New Economic Policy, which was a kind of temporary compromise with capitalism, it was no longer communism but rather State socialism that Lenin preached. At the time of his death he was introducing what amounted to a kind of new democracy in Russia. Then came Stalin with his idea of "building up socialism in one country." The idea of internationalism was not forgotten; neither was the machinery of the Comintern discarded; but the chief efforts were directed to meeting the needs of the Soviet State. In contrast, Trotsky has kept intact his internationalistic frame of mind. While he explained Lenin's views during the NEP period as tactical changes only, he can find no words strong enough to emphasize his opposition to Stalin. Stalin and his associates are, according to Trotsky, but the "epigones" of the revolution who are entirely lacking in the true spirit of internationalism. Their tendency to occupy themselves with "building up socialism in one country" is, for Trotsky, another reflection of that backwardness which is characteristic of Russia and the Russian Government even after the revolution.

Leader of Russian labor, war lord of Russia during the great revolutionary struggle, Trotsky had in reality only a deep feeling of inward contempt for the "backward country" he ruled and the "backward people" he knew so well how to sweep off their feet with his fiery speeches. It is significant that he seems to have had few, if any, personal friends among the Russian proletarians; at least such is the impression produced by his memoirs. Throughout his life the Russian workers have remained to him just so many colorless varieties of the same species, wholly lacking in individual characteristics. In 1920, when Trotsky was appointed dictator of the Russian railroads, he clashed violently with the chairman of the

railroad workers, Andreyev, who was indignant at Trotsky's highhanded ways of dealing with labor. One should, however, recognize that Trotsky did restore the functioning of the railroads, a matter of urgent necessity for the Soviet Government in view of the Polish war.

After Trotsky's rupture with his colleagues in the Soviet Government, it was precisely this alleged contempt of Trotsky's for the average worker that caused the outburst of accusations against him. One of the leading Soviet newspaper men described Trotsky as "a haughty gentleman with a cane" who looked with disdain on the actual proletarian. Trotsky's arrogant ways created enemies for him, and not alone among the factory workers. Once during a meeting of the Soviet Cabinet Trotsky made an irate comment upon the "mediocrities" who think themselves able to discuss matters of state. Molotov, after Stalin the second strong man in Russia, quietly retorted: "Everybody cannot be a genius like Comrade Trotsky. But he who wins is the ablest. So let us see." Events have thus far justified the speaker; Trotsky went into exile, while Molotov became chairman of the Sovnarkom (the Council of People's Commissars).

Not even Trotsky's opponents can, of course, deny that by nature he is endowed with brilliant capacities. Captain Hill, who was in Russia in 1918 as a British agent and who gave Trotsky lectures on aviation, says in his book, *Go Spy the Land,* that Trotsky "had marvelous powers of concentration and the knack of putting his finger on the weak spot of anything." "Apart from myself," continues Captain Hill, "he had lessons every day from Russian experts on the subject of one military branch or another, and they all found in him the uncanny perception which I have mentioned. For four or five months Trotsky devoted all his time to the art of war, and became a brilliant leader and founder of the Red Army, a queer fate for a man who had been for years one of the greatest anti-militarists in Europe."

Trotsky's capacities seem to work at best during periods of storm and stress. He not only electrified the masses during a critical period of the national cataclysm; he himself became electrified as well. On the other hand, his strength seems to fade away during periods of relative quiet. The same man who showed such quick energy and determination in preparing the Bolshevik coup d'état in November, 1917, proved to be quite lacking in strength during the inter-party struggles after Lenin's death.

No one can tell what the next move of the Soviet Government will be, nor is it possible to predict what shape world issues will take during the next generation. Will the present-day economic isolation of Russia result in the breaking up of the world into closed economic provinces or in the long run will the forces of internationalism win? The adequateness of Trotsky's interpretation of the Russian revolution depends apparently upon the accuracy of his theory of "permanent revolution." But at any rate, Trotsky the historian is inseparable from Trotsky the political leader.

The Douglas Cure for Economic Ills

By Gorham Munson

[Mr. Munson, a well-known American literary critic, is now the American representative of *The New English Weekly.*]

THERE is living in London today a gentleman who departs as widely as possible from the revolutionary type and who is yet regarded as profoundly revolutionary by thousands of followers in the British Isles and in the Dominions. A cousin of Lord Weir and a graduate of Cambridge, he looks like a British squire, stocky, ruddy of complexion, well groomed, and his temperament is Tory, as one might expect. There is not a trace of the fanatic about him. He has written books in a style marked by great condensation and understatement. He has worked hard at his profession, engineering; he has made inventions whose royalties now give him a comfortable life; he has a military title gained as assistant director of the Royal Aircraft Works during the World War. He enjoys fishing and yachting. He is a patriot.

Yet to this man, Major C. H. Douglas, the following tribute has been recently paid by a weekly devoted to spreading his ideas: "Adam Smith was the first great political economist. Since his day there have been only two others, Karl Marx and Major Douglas. All the rest have been and are 'economists' without political sense or vision. Adam Smith for capitalism; Karl Marx for communism; Major Douglas for economic democracy."

Major Douglas began his career in India in the early part of the century. He was considered a brilliant engineer and was in charge of the Westinghouse interests. By profession he was trained to grapple with physical difficulties, but he soon found that in any undertaking assigned to him there were financial anomalies to contend with which were far more effective in impeding his work than the physical realities he faced. The Controller General of India was a friend and at dinner used often to dwell on financial anomalies, invariably concluding his remarks with the statement that gold and silver have very little to do with the industrial situation while credit had everything to do with it. Major Douglas has since confessed that at the time "credit" was a word without meaning to him, but all the same the Controller General gave his mind a focus that it has never lost.

Just before the outbreak of the war, Major Douglas returned to England to do some railroad building. The war was a series of revelations to him, culminating in the great revelation, according to his followers, of the mathematical defect in national loan accountancy which results, along with other better known causes such as saving, in a chronic insufficiency of purchasing power. This defect he has sought to express in what is known as the "A plus B theorem," which, it is claimed, has never been refuted. It can be claimed too that it has never been accepted, and is still, as it was when first propounded, a matter for sharp controversy.

To explain this theorem Major Douglas represents as A the flow of purchasing power to individuals (wages, salaries and dividends), and points out that all A payments go into price. But there is another class of payments represented by B, which are made not to individuals but to organizations (bank

charges, taxes, raw materials, overheads of one description or another), and these also enter as costs into price. Hence the rate of flow of price cannot be less than A plus B. Obviously, A cannot purchase A plus B, and a proportion of the product at least equivalent to B must be distributed by a form of purchasing power not comprised in A. That form of purchasing power consists of money created by the banks to finance capital production. It is regarded as borrowed from the banks, and therefore in order that it may be repaid, it is charged into the price of consumers' goods.

The practical outcome is that the population of the world cannot purchase the goods already in existence without engaging in the further production of goods that are not and may never be required. The people's current income must meet in retail prices the accumulation of costs, both current and past, and the point to be emphasized is that money issued as a bank loan to industry has usually been recovered by the bank and destroyed before the goods have come on the market; this destroyed money is a cost carried on from a previous stage of production. It is about this time-factor or time-lag of goods behind credit-issue and credit-recall that most of the disputation over the A plus B theorem occurs. The Douglas argument, in the words of D. W. Burbidge, is that "in effect the prematurely destroyed credit or money must be recreated by the banking system and issued on behalf of consumers at the rate at which the B or overhead charges of industry are reckoned into prices of consumable goods."

The other things Major Douglas especially noted during the war were the flexibility of the financial system when for once the prime insistence was on the prompt delivery of goods, the facility with which industry, thanks to science, met the demands made upon it even with the best part of the productive population drafted into military service, and, finally, the rising standard of living for the whole community while the fighting was going on. When "peace broke out," as some wit has said, Major Douglas was astonished to hear from all sorts of official voices that England was a poor nation. Accustomed as an engineer to look at physical things, it seemed to him that on the contrary the capital appreciation of England had been immense and she was anything but a poor nation. So Major Douglas began to write in 1918 articles for *The English Review* attacking what he considered to be the fallacy of super-production and arguing that the real wealth of England was still great.

Basing his proposals on "consumer-credit," he urged that a direct attack be made on the problem of consumption. The Labor reformers were all treating production as the prime problem and thought the economic solution lay in changing the administration of production or, as it is more common to say, in socializing the means of production. But to Major Douglas production by private enterprise was a success. Whatever the sins of capitalism might be, inability to produce a glut of goods and services was not one. Industry, however, as the A plus B theorem demonstrated could not distribute sufficient purchasing power to the community to enable it to claim industry's total output. By mathematical law money must be in short supply. There is only one way out, Major Douglas concluded, and that is to issue credit to the consumer in the form of a scientifically determined discount on retail price when a sale is effected. In short, by a reform in the distributive (money) system he proposed nothing less than the continuous selling of goods below their apparent financial cost but at their true cost—and provided a method whereby the seller could be reimbursed for the amount he was out of pocket. This was to be done by debiting the National Credit Account.

Inasmuch as Major Douglas's con-

tention is that our entire financial system is upside down in an age of technology, dominating industry instead of being its handmaid, practically all his proposals are simply for turning existing financial axioms and devices right side up—"consumer credit," for example, instead of "producer credit."

After writing his articles in *The English Review* Major Douglas began to explain his ideas in *The New Age*, a London weekly, edited by A. R. Orage. This magnetic figure in English intellectual life had been affected by the currents of social reform in England during the '90s, and for a time was a member of the Fabian Society. When, however, in 1907 he took over *The New Age* he soon made it the organ for the National Guilds movement. He and A. J. Penty had formulated independently the leading ideas of guild socialism, and for the next twelve years these ideas were pushed so hard by them and their adherents that G. D. H. Cole once referred to the period 1910-14 as the "Orage period" in British economics.

After about a year of consideration Mr. Orage announced himself, to the consternation of Guild Socialists, as unhorsed by Major Douglas and thereupon joined forces with him.

From 1919 to 1922 Major Douglas and Mr. Orage made determined efforts to get the Social Credit scheme considered and adopted. The depressed post-war situation in England was favorable to them; they early gained some brilliant adherents, among them Will Dyson, famous for his savage political cartoons; they saw behind the scenes a great many people of importance and sought to win them. Two books by Major Douglas appeared: *Economic Democracy* (1920), which was also published in America, and *Credit-Power and Democracy* (1921), which contained a draft scheme for the mining industry and a long commentary on it by Mr. Orage. But these efforts were in the main doomed to failure. The first chapter of the Social Credit movement ended with the adverse report of the British Labor party and the departure in 1932 of Mr. Orage to Fontainebleau to study advanced psychology.

The impetus for the British Labor party's investigation of Social Credit came from certain elements in the Scottish Labor groups, which in 1920 became interested in Major Douglas's draft scheme for the mining industry. In January, 1921, the Scottish Labor Advisory Committee advised the central executive committee of the Miners' Federation to investigate this scheme. "We are convinced," the committee said, "that bank credits are one of the main constituents—if not indeed the main constituent—of selling prices; and that no final solution of the problem is possible that does not bring the issue of credit and the fixing of selling prices under the community's control." The central executive committee of the Miners' Federation referred the whole matter to the Central Labor party executive, and this body appointed a committee to look into what they termed the "Douglas-*New Age* Credit Scheme." The committee, consisting of Sidney Webb, R. J. Davies, M. P., Frank Hodges, F. B. Varley, G. D. H. Cole, Hugh Dalton, J. A. Hobson, C. M. Lloyd, Sir Leo Chiozza Money, R. H. Tawney and Arthur Greenwood (secretary), met on May 24, 1921, and invited Major Douglas and Mr. Orage to appear before it.

The authors of the scheme, however, objected to the personnel of the committee. They contended that only Mr. Hodges had any direct knowledge of coal mining or any experience either of the concrete problems of business management or of the operations of practical finance, and that the majority of the committee was already committed to the support of economic dogmas expressly challenged by Social Credit. They then proceeded to suggest the kind of committee before which they would be glad to

appear, but their suggestion was rejected. Without hearing Major Douglas and Mr. Orage, the committee prepared a report and issued it sixteen months later, condemning the Social Credit scheme. The report declared that the statement that the rate of flow of purchasing power into the hands of consumers is not and never can be adequate to purchase the goods available to them was fallacious.

The second chapter of the Social Credit movement in England may be dated from 1922 to 1930. Mr. Orage passed most of his time in America as an expositor of the self-development school of psychology established by G. I. Gurdjieff at Fontainebleau. Major Douglas lectured and wrote two additional books: *The Control and Distribution of Production* (1922) and *Social Credit* (1924). Arthur Brenton, who had been in a gold assaying office, assumed the editorship of *The New Age.* Under him it continued its advocacy of Social Credit, but its circulation fell away and it shrank in size. A few other Social Credit periodicals managed to exist, and a number of books and pamphlets were published, probably the best of these being *This Age of Plenty* by C. Marshall Hattersley. One other thing should be included in the record of this, the second, stage of Social Credit as a movement. In 1927 the Kibbo Kift (a Cheshire word meaning "strength") adopted Social Credit as its economic program. Previously, the Kibbo Kift had been a post-war youth movement in England devoted to camping, handicraft and world peace, but without a definite economic objective.

The third, and the most rosy, chapter of Social Credit opens in 1930 with the appearance of Major Douglas before Lord Macmillan's Committee on Finance and Industry. This was important recognition, and since then the ideas of Major Douglas have come to the fore in circles of intelligent discussion. The Social Credit press in England has expanded. *The Front Line,* the organ of the Kibbo Kift, *Purpose,* a quarterly edited by W. T. Symons and Philip Mairet, and the *British Crusader,* published at Coventry, are examples. Furthermore, Mr. Orage has returned to London and thrown himself into the battle with a new paper, *The New English Weekly.*

The Kibbo Kift has added color. In association with the Legion of the Unemployed organized by George Hickling of Coventry, they have become known as the Green Shirts. They stand for discipline and action, taking Fascist and Communist groups as models in respect of discipline. They hold street corner meetings and appeal directly to the working class, signalizing their fraternity with the workers by marching as a uniformed unit in the hunger march on London. The leader of the Kibbo Kift, John Hargrave, is a forceful, vivid personality. However, there is a disposition on the part of many Social Credit adherents to regard the Kibbo Kift as the Boy Scouts of the movement.

The recent rapid spread of the Douglas ideas in England, however, is due to the Marquis of Tavistock, who is the head of the National Credit Movement. He has succeeded in inducing a number of credit-reformers to join hands on certain issues whereon they are agreed, and the meetings he has organized have been well attended. Over 10,000 Englishmen, among them some of England's keenest brains, are convinced that Social Credit is the only way out of their present difficulties, and they have the comfort of knowing that their scheme has been studied by the British Treasury and the Bank of England for possible emergency use.

In Scotland, apart from a weak Scottish nationalist movement which has become friendly toward the Douglas proposals, the principal event has been the publication in the Glasgow *Evening Times* (March 11, 1932) of the Scheme for Scotland drafted by Major Douglas and the discussion and

the well-attended lectures that ensued. In South Africa there are Social Credit groups, and the subject gets into the press, but here again the movement is weak. In Canada, particularly in the farming region of Alberta, there is an active Social Credit party, and they have actually succeeded in electing members of Parliament.

For the pyrotechnics of Social Credit, however, we must go well around the globe to New Zealand and Australia. There are no less than sixteen Social Credit members in the New Zealand Parliament, and for their leader they have a remarkable orator, Captain Rushworth. "Given the chance to apply Social Credit to New Zealand," he declared in a recent speech, "I will guarantee to establish prosperity within three months, with a shooting-party as the penalty for failure. I stake my life on the remedy." There are three Social Credit papers in New Zealand: *Farming First,* with the motto, "More Goods for Less Money"; *God's Own Country (and the Devil's Own Mess),* and *Plain Talk.*

In Australia there are now a thousand Douglas Credit Societies and over one hundred thousand solid supporters—a high number when we consider the population of Australia. Australia in fact made an early start when in 1921 Professor Irvine, holding the economics chair in the University of Sydney, set Major Douglas's *Economic Democracy* as the textbook for honors in economics, and when in 1922 E. Jerdan gave twenty-five lectures on Social Credit to the Sydney University tutorial classes. From these academic beginnings the movement grew slowly and then with a rush in recent years, during the battle between Premier Lang of New South Wales and the banks. Its leading weekly, *The New Economics,* has a circulation of seventeen thousand; lecture audiences number up to two thousand; radio talks occur with frequency. Even the economic adviser of the Commonwealth Bank, Professor Copland, has publicly debated on Social Credit and pamphleteered against it. On the other hand, the New South Wales Government has recently promised to make an official inquiry into the subject.

Even higher hopes for the adoption of Social Credit are placed on President de Valera of the Irish Free State. It has been known for several years that he was studying the Social Credit scheme, but what he thought of it, no one knew. Now, Social Credit thinkers see in his recent policy of economic self-sufficiency signs of gravitation toward the principles of Major Douglas. "Mr. de Valera," Mr. Orage recently wrote, "is the first Prime Minister in all history who understands the principles of Social Credit and shares its economic ideals. And he is not the man, we believe, to shirk the responsibility or miss the occasion for making a momentous contribution to the world's peace and progress."

In the United States the movement is still very young. Of the six or seven American groups the most active are the New Economics Group of New York and the San Francisco group organized by Dr. T. Addis of the Stanford University Medical School. The New York group has issued a pamphlet, *Financial Freedom for Americans,* modeled on Samuel Adams's idea of a committee of correspondence, and it has prepared a plan for the State of New Jersey, which has been submitted to New Jersey officials and the Chambers of Commerce of that State.

Major Douglas's central ideas cannot be put into melodramatic language or simple slogans, such as usually inspire popular revolutionary movements. He claims to be a technician, asserts that there is a technical flaw in the price system and prescribes a technical remedy. Furthermore, he himself has played no organizing part in the whole movement here described. He is officially connected with none of its papers or so-

cieties and holds himself aloof from political propaganda. If the British Government should in desperation call on him, he would advise the following steps to be taken: (1) The setting up of the national credit account, (2) the distribution of national dividends to all, and (3) the institution of the scientific price calculus. The first step would enable the community to convert its real credit into financial credit. Major Douglas claims that now financial credit should but does not reflect real credit (defined as the correct estimate of a nation's ability to deliver goods and services as, when and where required). The second step looks toward the supersession of the wage system by dividends based on an unclaimed cultural legacy, the "state of the industrial arts," Veblen called it. The third step involves the scientific regulation of prices in accordance with the physical realities of production and consumption.

What Major Douglas contemplates is a bookkeeping revolution which will, he claims, expand the volume of money and lower prices simultaneously. No confiscation, no expropriation, no "nationalizing" of the banks, no class war, no political revolution is proposed—nothing but the transforming of finance from a veil to an accurate mirror of industrial facts. And the consequence of this bookkeeping revolution? According to his enthusiastic followers, it will inaugurate the "Age of Economic Democracy" marked by the distribution of plenty and leisure. The chief objection they encounter is that the Douglas prophecy is too good to come true.

A very interesting utopian novel could be written showing concretely the working of the Douglas scheme. It would describe the United States of America, Inc., in which each citizen was a shareholder, receiving a national industrial dividend, computed according to the real wealth of the nation. Armed with this free purchasing power, he would visit the shops for his cigarettes, magazines, shoes, food; he would meet his obligations to landlord and telephone company; he would seek out places of recreation —and everywhere he would encounter reduced prices for consumers' goods, the prices, let us say, being one-half of what they had been and the reduction being calculated by discovering the ratio of total consumption in the previous accounting period and total production. Thus, not only would the shareholder-citizen have more money but at the same time, because of lowered prices, it would go much farther.

The retailer would perhaps at first find the lowered price perplexing and disturbing. But his goods would be moving at a much-quickened rate out of his shop, and behold! when he deposited the sales receipts at his bank, the bank marked up his deposits to twice what he put in and charged the national credit account. He would be making more profit because he would be selling more goods at a faster rate. The wholesaler would be flooded with orders; word would be passed back to the manufacturers; the wheels would turn. If our novelist had a robust sense of life and a genuine delight in merriment, he might make much of this picture of a society governed by the new principle of adequate purchasing power for all and the devil take the reckless, setting it in contrast with the drab novels picturing society debased by the working principle of insufficient purchasing power for the community and the devil take the hindmost. He might be applauded for his gift of fantasy —but the persons in the movement described in this article stoutly maintain that his fantasy can become actuality.

Architecture in the Modern Age

By ELMER R. COBURN

[The following article presents the conclusion reached by the author after many years of study and experience as a practising architect.]

AMERICAN architecture today reflects the conflicting beliefs of two schools. One adheres to the forms and styles which through the years have been accepted as good; the other, frankly experimenting, has sought to produce new forms, new styles, which will seem more akin to the life of an industrial society. The members of these two groups are labeled, for want of better terms, conservative and modernist, but between their extremes are all manner of architects who belong neither to one nor the other, men who are not quite ready to cast aside tradition, but who hope that a new school will arise which will be more esthetically satisfying than the present modernistic. At the moment, even among the exponents of modernism, there is no common agreement.

Behind the conflict in architecture are the desire to create something new—a rebellion against what seems to be the mere copying of old forms—and the economic necessity of designing a building which will give the maximum return on the capital invested. The growing importance of this second factor many architects have failed to appreciate.

The development of a distinctive architectural form in America has been handicapped by blind worship of the noted figures of the late nineteenth and early twentieth centuries. Richard Morris Hunt, Stanford White and John M. Carrère inspired those who were to follow them with the spirit of art for art s sake. To them architecture meant only the creation of beauty, which, in this instance, took the form of copying or adapting classic or other historical motifs. These men and some of their contemporaries were signally gifted with the ability to reproduce the finest creations of past ages, but though they did great work, they belonged to a period wholly different from the present. In those days the profession of architecture was young in the United States; a great tradition had not grown up; men followed the masters; they were further influenced by the Society of Beaux Arts Architects, composed of former students at the Ecole des Beaux Arts in Paris, and by the establishment of the atelier system.

The reproduction of historical forms was the order of the day; originality was confined to the scheme, but details were usually copied in their entirety. *Vignola*, a manual containing detailed measurements of the classic Greek and Roman orders, and a few other works on historical architecture such as D'Espouy were the stock in trade of every atelier. For every problem in design, whether the entrance to a town house or a peace palace, students sought ideas in these volumes of beautiful drawings of French and Italian Renaissance architecture. The prevailing idea was the adaptation of something that had been done to the problem in hand. Apparently no one contemplated the possibility of devising something new.

But architecture then as always bespoke the age. It was a period when fortunes were being amassed through mining, railroad building and industrial expansion. The new plutocracy, a bit raw and unsophisticated with its wealth, ordered the building of town houses which would reflect their power and prestige. New York City

saw the mansions of the Vanderbilts, Goelets and many others rise on the avenues, show places which for many years flaunted their pretentiousness to a marveling world. Yet these houses gave architects a new prominence. Here, for men trained in France and Italy, was a wonderful opportunity to recreate historical masterpieces, since no expense would be spared in making the reproductions authentic. These master copyists had such a profound intimacy with their sources of inspiration and were able to express themselves through such exquisite draftsmanship that it instilled in many younger men an enthusiasm that for many years clung to them and shaped their way of thinking. So blind was this faith that it prevented many an architect from perceiving changes in the social structure.

Nevertheless, the time came when the wealthy began to forsake their mansions and to move into apartment houses. Since these apartments were generally speculative ventures, the plans were usually drawn by men whose outlook was altogether different from that of the architects who had made their reputation in designing town houses and who practiced architecture as a fine art, looking disdainfully upon mere money-making. If a man who had successfully disguised an American residence as a French château or an Italian palace was commissioned to design a commercial building, trouble arose almost invariably. He did not want to be bothered about economics; the ratio of rentable space to the cost of the building meant nothing to him. He considered the project from only the esthetic standpoint, and the result was a composition of columns, entablatures, carvings, and so on, that cost perhaps double the amount possible for a profitable investment. That fact, added to the air of hauteur with which the owner of a commercial undertaking was received by these architects whenever the matter of cost was mentioned, was largely responsible for an early shift of this work to men less prominent and possibly not as well trained.

Economics thus determined to a large extent the development of a new type of architect, a man who made himself adept in economical planning but often was little concerned with esthetics. The interest of his clients, too, was centred not on beauty but on obtaining a building that covered the maximum amount of land allowed by law, and contained the maximum area of rentable space. Like their more famous colleagues in the profession, these architects missed the possibilities of developing a new or more logical method of construction. Such architectural effect as they obtained was the result either of adapting historical motifs in cheap materials—terra cotta, sheet metal and so forth—or in eliminating all ornamental features. The latter tendency often went to extremes; instead of highly decorative stone and marble façades, architects designed the box type of building of plain brick walls, punctured with windows, which are to be found today in so many larger American cities.

While the passing of time has seen many of the finest specimens of historical reproductions demolished to make way for commercial buildings, buildings designed by the more eminent of the conservatives still exist. In New York City the Morgan Library and the Library of Columbia University, both designed by McKim, Meade & White, are outstanding examples. Several American colleges and universities have buildings that reflect the older period and probably college and university buildings for years to come will follow historic forms. Here and there, however, are indications that more serious consideration is being given to the economics of college buildings. Abraham Flexner has been quoted as saying that expensive and overelaborate buildings were erected at the expense of the faculty, though much of this is less the fault

of the trustees than of wealthy alumni who designate in their gifts that a specific amount of money is to be spent on a building designed by an architect of their selection. The cost of executing the classic, Gothic or Renaissance reproductions so familiar on college campuses is tremendous—and the proportion of the total expended on sounder construction is infinitesimal. Perhaps the college is the final stronghold of conservative architecture.

The almost solid ranks of the conservatives held together for many years. Now and then a heretic appeared only to disappear. Some thirty years ago Louis Sullivan, Chicago architect, startled the country by defying all traditions, but his individualistic style died with him. In later years his belief in erecting buildings whose style was unaffected by the past did gain adherents. Another architect, Henry Hornbostel of Pittsburgh, caused a stir among his fellows by casting aside precedent in his design for the entablature and attic of the State Educational Building at Albany, N. Y. Despite the fact that fundamentally he retained the old Roman design, the varied proportions of his building were not readily accepted in some quarters. But these men were exceptions; the real changes have come since the World War.

Younger architects who became tired of mere copying were influenced by the experimental work of their European contemporaries. Designs by men like Saarinen, for instance, made a marked impression in America. Probably, also, a large number of the proponents of modernism were alienated prematurely from the conservatives because of the sins committed in the name of art. Among the conservatives were many who placed art first and sacrificed plan and utility for the sake of obtaining an exterior effect that was pleasing to the eye. Meanwhile, the public taste had shifted from the highly ornamented periods of French and Italian Renaissa to more refined styles and thus th were many, not only among the arc tects, who sensed the need of a m logical architecture than that p duced by adapting old forms to n conditions, decorating the exter with elements which represent structural members—stone colum for instance—but which served useful purpose.

One faction among the moderni contend that function is the governi force, that all elements of architectu revolve about the proper solution the plan. After the plan is solved a the structural mass of the buildi determined, the various elemer such as steel columns and beams, co posing the structure, are clothed the simplest manner possible. Th the modernists say, is the only logi architecture. Structures built acco ing to this theory have reflected va ing results, ranging from exter walls of plain brick-work to walls glass, though the use of certain ma rials has made the modernists cont dict themselves. Nevertheless, in off buildings, apartment houses, hot and many other commercial stru tures the new architecture has fou excellent opportunities for experim tation.

In those buildings where cost l been ignored and the designer has tempted to discard every element tl has a historical background, mode ism has usually proved unsatisfacto Most of these compositions have be severe and hard, or garnished w geometric patterns. The new Irvi Trust Building in New York Ci though modernistic, can scarcely classified as a building whose st frame was clothed in the simpl manner possible. Expensive limestc was run up the full height of t building, the whole façade on t street fronts being formed in shall V flutings, supposedly, as the desig claimed, to overcome an optical il sion. Even the windows were form to coincide with the V flutings. T

cost of the limestone and the special type of windows was very great and yet the only part of this building that excites any real interest is one of the banking chambers which was executed in colored mosaic—a variegated color treatment interrupted by zig-zag lines that have no real meaning and add no effectiveness to the color treatment. Raymond Hood sought to make us like the extremely severe lines of the Daily News Building in New York by explaining that the cold, hard line piers represented newsprint unrolled —a rather far-fetched attempt to claim that the exterior of this building is symbolic of its function and hence the logical architecture. It is doubtful if any one, even when supplied with this information, would express much enthusiasm over its symbolism. Probably it is too early to comment on the Rockefeller City group, but such of the buildings as are nearing completion do not offer much hope.

To another category belong a number of buildings which have been ascribed to modernism but whose prime elements have historical precedents which have been modified to make them appear new. The State Office Building in New York City and the Connecticut State Office Building in Hartford would fall into this group. Such buildings, of course, represent a distinct change, for the conservatives usually adhered to precedent in the minutest detail.

In any architectural order there are certain fundamentals. Just as in music, a good chord or note registers pleasantly on one's senses through the ear, so in architecture a good line or a good combination of light and shade registers pleasantly on the senses through the eye. The masterpieces of architecture which have withstood the test of time have the beauty of mass, line and color which the human eye apparently craves. In many cases all three make a pleasing combination, but, in any event, one of them has to be present before the eye registers satisfaction. That is why it is not enough for the modernists to maintain that a building is symbolic and say that we must learn to appreciate it. The eye has to be satisfied either consciously or subconsciously.

Thus it may be assumed that architecture which is based only on the desire to create a new style will not gain much support or be classed as art after running the gauntlet of time. While the present lack of new building has seemingly retarded further development of modernism, it is probably true that the trend away from the old styles will continue until ultimately a new architectural order arrives. The lull in building has afforded an opportunity for sober thinking; now the vision before us is more distinct.

But whatever the future has in store for achitecture, we can be sure that economics will be a dominating factor. Ways and means will have to be found to construct office buildings, hotels, apartments and so forth within a cost that can produce a fair return. No longer can construction costs be ignored on the theory that somewhere, somehow, tenants will be found who will pay any rental demanded. The answer will probably be found in more economical methods of construction. This may mean pre-fabrication in the factory of many parts of a building instead of, as at present, construction on the site. It will mean that we cannot afford to hang bricklayers on a scaffold thirty or forty stories in the air, laying little pieces of clay at $15 a day. This alone was no small factor in increasing the cost of a building, when it is remembered that twenty years ago a bricklayer received five or six dollars a day and laid about 2,000 bricks. During the "new era" 1,200 to 1,500 bricks were considered a good day's work.

Pre-fabrication will necessarily entail the use of materials different from those now in use. To understand this we must realize that most progress in building construction has concerned interiors. In the shell of a

building certain items like the steel frame, door frames and doors, to mention a few, have been the objects of thorough research, and the cost accounting and efficiency departments of the manufacturers of these items have been able to accomplish very tangible results by keeping the processes of manufacture under close observation. While there are many instances where the invention of machinery has made it possible for a man to accomplish much greater tasks than formerly, there still remains a very large part of building operations which must be changed from hand to machine labor.

Another sign indicating the direction in which architecture is headed is the small home. Here again economics is the main factor. The average small-salaried man, when seeking a home, has been obliged to patronize the small-house developments sponsored by speculative builders. These houses are generally erected in mass and, whether individual or uniform in design, are of frame construction, put together under hurried conditions—a combination of poorly seasoned materials and high-priced craftsmanship which upon completion does not represent a true value. In the Eastern United States the cheapest five-room house before 1929 sold for $5,000 to $6,000. At such prices the houses have little if any individuality and the construction is such as barely to keep them together for the lifetime of the mortgage.

For a large part of the population these prices are too high, though a possible solution is in the offing. Recently, companies have been organized to place on the market metal houses to cost about $3,500. If plans are carried out, the major portion, if not the whole, of every house will be manufactured in the shop and shipped in sections to the building site where only a small amount of work will be necessary to complete the job. Pre-fabrication of entire metal houses will probably be confined to the small dwellings; those of a more expensive kind will undoubtedly continue to be individual products, but as time goes on even these houses will undoubtedly benefit by labor-saving processes without losing individuality of design.

How will this new trend affect architecture? Forces arising out of the depression have precluded the possibility of turning back. Well-executed reproductions of historical buildings are behind us, except in the case of non-revenue buildings. Likewise, modernism devoted only to the creation of new styles has passed during these times of trouble. The need for economy will force the designing of exteriors, especially of commercial buildings, to meet the exigencies of mechanical production. Most likely, the material will be metal—aluminum or some alloy. In some cases recently erected buildings have forsaken brick or stone spandrels (the panels extending from the top of one window to the bottom of the window above) and have substituted metal—usually an aluminum alloy. It is only a short step further to making the piers between windows of metal in sections of a full story. But an entire façade in the natural metal is too cold and hard in line. Weather-resisting enamel for metal surfaces offers a possible solution to this problem, not alone in solid colors, but in variations and blendings. An exterior of this sort should, in taller buildings, be most effective. Yet metal will not be the only material used for these pre-fabricated buildings; other materials, some as yet unknown, will be found adaptable to manufacture, while it may well be that color will become the element which will make our machine-made buildings beautiful and interesting. In any case, out of that new architecture, conceived in the desire for economy, will emerge characteristic elements that will influence buildings whose purpose is not commercial; once the problems of economics and function are solved, the development of a new beauty ought to follow naturally.

Current History in Cartoons

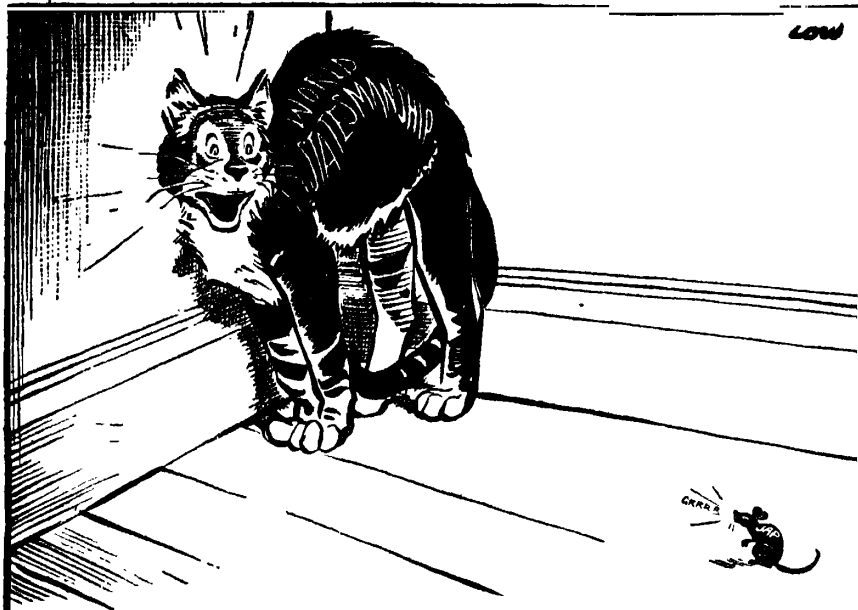
That grand and glorious feelin'
—*Pittsburgh Post-Gazette*

Diogenes looking for an honest man
—*St. Louis Post-Dispatch*

The new farm hand—will HE work?
—*Baltimore Sun*

Saturday night is here already
—*Philadelphia Inquirer*

Et tu, Roosevelt?
—*Morning Post*,
London

The hope of us all!
—*Cleveland*
Plain-Dealer

The cat and the mouse (new version)
—*Evening Standard*, London

A threat from the rear
—*Birmingham Age-Herald*

The Lunatic Who Fired the Reichstag—"You mad, too! What fun! Now we're all mad!"
—*Daily Herald,* London

What about the fellows behind you?
—*Glasgow Bulletin*

Pointed steel is said to attract lightning
—*Detroit News*

A Month's World History

Disarmament and Treaty Revision

By JAMES THAYER GEROULD
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UNRESTRAINED nationalistic greed, grasping for a maximum of national advantage, has brought the world close to disaster. Blind unwillingness to face the fact of the interdependence of nations, a futile attempt to develop systems of national economy regardless of the interests of their neighbors, the struggle for power, prestige and "security" have produced a fear which approximates hysteria. Unless within a very few months this fear can be dispelled, it is idle to deny the likelihood of catastrophe. The question of disarmament is but a single phase of the struggle of the nations. Guns and tanks, bombing planes and cruisers are but counters in the contest for power.

The events of late Winter have aligned the nations of Europe in two camps. On one side are France, Poland and the Little Entente, clinging to the toppling structure of the peace treaties, believing—and there can be no doubt of their sincerity—that a peaceful Europe is possible only under their aegis. Opposed to them is Germany, smarting under the injustice of the terms of the Versailles treaty, exasperated by thirteen years of delay in securing relief, and inflamed by the violence of her nationalistic revival. With Germany stand Austria, Hungary and Italy. Italy, however, is moved more by fear and jealousy of France than by any affection for Germany. The Triple Alliance has, in effect, been reconstituted. Between these two groups is Great Britain, playing the part of "honest broker," and endeavoring, so far as her own inchoate political situation will permit, to mediate between them and at the same time prevent a solidification of the present alliances that would make another European war almost inevitable.

By the end of February the disarmament conference had reached a deadlock. The German elections of March 5, which established Hitler in power, seemed to the French not only a challenge to her European hegemony, but, quite definitely, to her security. The Hirtenberg affair (see April CURRENT HISTORY, page 112), the rapprochement between Italy, Austria, Hungary and Germany, and Mussolini's advocacy of treaty revision, occasioned great nervousness in the States of the Little Entente, and precipitated an alliance between them which is believed to be military as well as economic. Hitler's victory alarmed Poland, for it threatened both the Corridor and Upper Silesia. Polish troops landed in Danzig and partly armed German auxiliaries entered the demilitarized area across the Rhine from Strasbourg. At Geneva the proposed Continental Pact was rejected by the votes of Germany, Italy, Austria, Hungary and Holland. Throughout all Europe there was a feeling that the disarmament conference was about to collapse.

At this point the British Govern-

ment acted decisively and quickly. Prime Minister MacDonald and Sir John Simon were in Paris on March 9 in conference with the French Foreign Office, and two days later they were in Geneva. After a few days of private discussion, Mr. MacDonald, in an impassioned speech before the conference on March 16, laid before it a program of disarmament that, whatever it may have lacked in completeness, was clear and definite. It was prefaced by a restatement of the Pact of Paris—without, however, substituting the word "force" for "war"—and a provision, in the event of its breach, for calling a conference at the request of any five powers, including one of the great powers, to determine steps to be taken. All the great powers and a majority of those of lesser rank present at a conference must concur in any such action.

Passing on to positive measures of disarmament, the British plan provided that all European armies should be recruited on a uniform basis of conscription, with an average term of service of eight months. Germany France, Italy and Poland would be allowed armies of 200,000 men; Rumania, 150,000; Spain, 120,000; Czechoslovakia and Yugoslavia, 100,000; and the other countries from 25,000 to 60,000. The allotment for the Soviet Army, 500,000, is much the largest. Supplemental allowances for colonial troops for powers having overseas possessions range from 15,000, in the case of Belgium, to 200,000 for France. This proposal would increase the present armies of Germany, Austria, Hungary and Bulgaria by a total of about 177,000 effectives, but it would reduce the entire number of men under arms in Continental Europe by approximately 450,000.

The calibre of mobile land guns would be limited to 105 centimeters (about 4 inches), though guns of 155 centimeters, now in use, might be retained but not replaced. Coast defense guns in calibre up to 16 inches would be permitted. Pending their complete abolition, through action by the Permanent Disarmament Commission, the number of military and naval aircraft would be reduced within five years. France, Great Britain, Italy, Japan, Russia and the United States would each have 500, with smaller numbers for the lesser countries. The size of aircraft would be limited to three tons of unladen weight. No new dirigibles could be built or acquired. Bombing would be prohibited "except for police purposes in certain regions."

Until 1935, when there is to be another naval conference, France and Italy would be brought within the terms of the London agreement. No reference was made to budgetary limitation or the control of the private manufacture of arms. Provision was made for the establishment of a permanent disarmament commission to supervise the enforcement of stipulations that might be agreed upon, and specifically to prepare for a second disarmament conference, to be held before the end of the five-year period, which would be the term of the present convention. Finally, it was definitely stated that the proposed plan was to supersede those provisions of the peace treaties by which the Central Powers were disarmed. There seemed to be some doubt as to the degree in which they might rearm. Since Germany was not mentioned in the table giving the allowances of aircraft, it was presumed that this particular restriction was to be maintained. It was an equally fair assumption that, in the absence of specific prohibition, tanks and large guns might be acquired. In general, the plan seemed to give to Germany that substantial equality which she had long demanded.

After presenting his plan, Mr. MacDonald went on to Italy to discuss the European situation with Mussolini. After conversations on March 18 and 19, the outlines of another plan, sponsored by the Italian Premier and approved by his British colleague, was

given to the press. Within the European area it provides for a more effective organization of arbitration, for judicial settlement of international disputes and for sanctions against an aggressor. Most important of all is the development of machinery for the revision of treaties, in extension of Article XIX of the covenant. Though the original announcement made the proposal seem to be one for joint action by the four great powers, France, Germany, Italy and Great Britain, Mr. MacDonald, in an interview on March 20, made it clear that the other nations would be called into conference.

On March 30 the text of the proposed pact was unofficially revealed to be as follows:

Art. 1. The four Western European powers—Germany, France, Great Britain and Italy—undertake to realize among themselves an effective policy of cooperation with a view to the maintenance of peace in accordance with the spirit of the Briand-Kellogg pact and the "no force" pact; and undertake to act in the domain of European relations so that this peace policy shall be adopted in case of necessity by other States.

Art. 2. The four powers confirm the principle of revision of the peace treaties in accordance with the League of Nations covenant in case a situation susceptible of leading to a conflict among States should arise. They declare at the same time that this principle of revision can be applied only within the framework of the League of Nations in a spirit of mutual comprehension, solidarity and reciprocal interest.

Art. 3. France, Great Britain and Italy declare that, in case the disarmament conference shall reach only partial results, the equality of rights recognized in behalf of Germany should have effective value, and Germany undertakes to realize this equality of rights by stages which will be fixed by successive understandings to be concluded among the four powers through the ordinary diplomatic channels.

The four powers undertake to reach similar understandings relating to Austria, Hungary and Bulgaria.

Art. 4. In all questions, political and non-political, European or extra-European, as well as in the colonial domain, the four powers undertake to adopt, as far as possible, a common line of conduct.

Art. 5. This political agreement of understanding and cooperation, which will be submitted, if necessary, to approval l the Parliaments within three months, w endure ten years, and it is understood will be renewed for the same period if has not been denounced by one of tl contracting parties one year before i expiration.

Art. 6. The present pact will be regi tered at the Secretariat of the League Nations.

The possibility of securing substa tial results from Premier Mussolini plan depends very largely on the att tude of France. Since treaty revisi appears to be one of its major pu poses, acquiescence in it would i volve a complete reversal of Fren policy. The present French Gover ment seems convinced that this necessary, but the press still ident fies peace with the peace treatie French newspapers are very bitt against Mr. MacDonald for his frar avowal in the House of Commo of the necessity for revision.

Poland and the Little Entente, tl largest beneficiaries under tl treaties, are seriously alarmed by tl plan. The Polish Corridor, Upp Silesia, the areas in Rumania ar Yugoslavia claimed by Hungar might conceivably be brought in question. The Little Entente, whic for the moment at least, is very nea ly an operating unit, and Polar resent what they feel to be a propos for the alienation of their property t international action. With a con bined population of over 75,000,0(they demand a right to be considere as a fifth great power. The policy Germany toward the Mussolini schen has not yet been fully developed, bı since it involves reinstatement c equal terms among the great power and since it proposes to discover method of treaty revision, it may l assumed that Germany will find li tle difficulty in accepting it.

Interest in the four-power propos overshadowed, temporarily at leas the British disarmament program. was not, however, lost from sigh The implications of both projects we so important that the delegates of tl

larger powers desired a month's recess to discuss them with their governments. Although the smaller powers did not favor adjournment, the conference recessed until April 25.

WAR DEBT NEGOTIATIONS

A month ago it seemed certain that the negotiations for a settlement of the war debts would begin soon after the inauguration of President Roosevelt, but at that time the extent of the American banking crisis had not been generally foreseen. Pressing as is the necessity for action, since the next payments under the present agreements are due on June 15, it has been both impossible and inexpedient to initiate the conversations until necessary domestic legislation was enacted. In France the opinion seemed to be growing that it would be wise shortly to make the payment that was "deferred" on Dec. 14.

War debt negotiations with the British were formally opened in a conversation between Secretary Hull and Sir Ronald Lindsay, the British Ambassador, on March 24. It seems to have been determined that it will be impossible entirely to isolate discussion of the debts from that relating to other economic questions such as tariffs, trade and foreign exchange barriers and the gold standard. The administration has been hampered by a lack of any proper authority in any of these negotiations. No useful purpose is to be served by making agreements that will not be accepted by the Senate. President Roosevelt, consequently, has endeavored to secure preliminary agreements, in the guise of "advice," which would determine the limits within which he might negotiate with assurance. This method, while clumsy and unsatisfactory, is to be preferred to a recrudescence of the humiliating contests between the Executive and the Legislature which have so frequently made American diplomacy ridiculous.

Text of the Little Entente Pact

THE following is the full text of the pact, signed at Geneva on Feb. 16, 1933, under which Rumania, Czechoslovakia and Yugoslavia, the three States forming the Little Entente, have agreed to enter into a closer union:

His Majesty the King of Yugoslavia,
His Majesty the King of Rumania,
His Excellency the President of the Czechoslovak Republic,

Being anxious to maintain and consolidate the peace;

Being determined to strengthen economic relations without distinction with all States and with the Central European States in particular;

Being concerned for the safeguarding of peace in all circumstances, and to assure the evolution toward a real stabilization of conditions in Central Europe and to insure that the common interests of their three countries are respected;

Determined for this purpose to give to the relations of friendship and alliance existing between the States of the Little Entente an organic and stable basis;

Convinced of the necessity of realizing this stability on the one hand by the complete unification of their general policy and on the other by the creation of a directing organ of this policy common to the group of the three States of the Little Entente, and thus forming a higher international unity that shall be open to other States under conditions to be agreed upon in each particular case;

Have resolved to establish what follows in the subjoined provisions:

Art. 1. A Permanent Council of the States of the Little Entente, composed of the Ministers of Foreign Affairs of the three respective countries and of special delegates appointed for the pur-

pose, shall be constituted as the directing organ of the common policy of the group of the three States. The decisions of the Permanent Council shall be unanimous.

Art. 2. The Permanent Council, apart from its normal intercourse through diplomatic channels, shall assemble at least three times a year. One of the obligatory annual meetings shall take place in each of the three States in turn, and another shall be held at Geneva at the same time as the Assembly of the League of Nations.

Art. 3. The President of the Permanent Council shall be the Minister of Foreign Affairs of the State in which the obligatory annual meeting is held. He shall take the initiative in fixing the date and the place of meeting, in arranging its agenda and in drawing up the questions to be decided. He shall continue to be President of the Permanent Council until the first obligatory meeting of the following year.

Art. 4. In all questions which shall be discussed as well as in all decisions which shall be reached, whether in regard to the relations of the States of the Little Entente among themselves or in regard to the relations of the Little Entente with other States, the principle of the absolute equality of the three States of the Little Entente shall be rigorously respected.

Art. 5. The Permanent Council shall determine whether, in a question upon which it has reached a decision, the presentation of the defense of the point of view of the States of the Little Entente shall be confided to a single delegate or to the delegation of a single State.

Art. 6. Every political treaty of each State of the Little Entente and every unilateral act changing the present political situation of one of the States of the Little Entente in relation to an outside State, as well as every economic agreement involving important political consequences, shall henceforth require the unanimous consent of the Council of the Little Entente. The present political treaties of each State of the Little Entente with outside States shall be progressively and as far as possible unified.

Art. 7. An Economic Council of the States of the Little Entente shall be constituted for the progressive coordination of the economic interests of the three States, whether among themselves or in their relations with other States.

Art. 8. The Permanent Council shall be empowered to establish other stable temporary organs, commissions or committees for the purpose of studying and preparing the solution of special questions or groups of questions for the Permanent Council.

Art. 9. A Secretariat of the Permanent Council shall be created. Its headquarters shall be established in turn for one year in the capital of the President for the time being of the Permanent Council. A section of the Secretariat shall function permanently at the headquarters of the League of Nations at Geneva.

Art. 10. The common policy of the Permanent Council shall be inspired by the general principles contained in all the great international agreements relating to post-war policy, such as the Covenant of the League of Nations, the Pact of Paris, the General Act of Arbitration, the Locarno Pacts and the conventions that will eventually be made in regard to disarmament. Furthermore, nothing in the present Pact shall be construed as contrary to the principles or provisions of the Covenant of the League of Nations.

Art. 11. The Conventions of Alliance between Rumania and Czechoslovakia of April 23, 1921, between Rumania and Yugoslavia of June 7, 1921, and between Czechoslovakia and Yugoslavia of Aug. 31, 1922, whose terms were extended on May 21, 1929, and which are completed by the provisions of the present Pact, as well as the Act of Conciliation, Arbitration and Judicial Settlement signed by the three States of the Little Entente at Belgrade on May 21, 1929, are hereby renewed for an indefinite period.

Art. 12. The present Pact shall be ratified and the exchange of ratifications shall take place at Prague not later than at the next obligatory meeting. It shall come into effect on the day of the exchange of ratifications.

In witness whereof the plenipotentiaries named below have signed the present Pact.

Done at Geneva, in triplicate, the 16th day of February, 1933.

JEVTITCH,
TITULESCO,
BENES.

America Meets the Emergency

By E. FRANCIS BROWN

WHATEVER verdict future historians may pass upon the first month of the Roosevelt administration, the people of the United States found that period one of the most exciting and most satisfactory within recollection. On March 4, when the new President took the oath of office, the nation's banking system had collapsed in the midst of a great financial panic; three years and a half of deepening economic depression which had spared few Americans had left the country discouraged and disheartened. That inauguration day the last lame-duck Congress had expired, unwept and unhonored, while in not a few minds doubt as to the efficacy of representative government was fast becoming conviction. Men looked hopefully to the new Executive, although uncertain whether he was endowed with the requisite natural powers to meet the crisis which confronted him; his advisers aroused little enthusiasm; and the Congress which his party controlled was suspect. On all sides the prevailing sentiment expressed the belief that some good, though perhaps not much, might arise from a change.

A month later the change was fact; more important, the nation believed that the man of destiny had been found. As Congress and President acted to push through an emergency program which would ordinarily have demanded months if not years of debate, a wave of hope and exhilaration swept the United States. What if banks were closed, business worse than ever, unemployment unsolved, foreign relations acute? A strong, popular self-confident leader was in the White House and the future ought to be secure. However unjustified this mood may have been, it existed, an astounding thing which swept conservatives and liberals of all parties and of all sections into a great chorus singing the praises of Franklin Delano Roosevelt.

Strangely enough, despite the huge vote given him in the election last year, Mr. Roosevelt failed to catch the imagination of the country until the crisp sentences of his inaugural address were broadcast on March 4. That day, in a dramatic and sensational fashion, he took command of the nation, preserving a coolness and calmness which reassured a distraught people. At the White House a new note of informality immediately became apparent, yet without any sacrifice of dignity. At the President's first press conference, for instance, he talked frankly and freely with the newspaper correspondents, abandoning the half-secretive, stereotyped meetings which had prevailed since the World War—a move which would seem to insure a "good press" for the administration. In the departments as well a new spirit quickly was manifest, a spirit of simplicity, of informality, yet of industry and virile common sense. The new deal was no longer a mere figure of speech.

REOPENING THE BANKS

While official Washington adjusted itself to the refreshing atmosphere exuded by the new administration, events moved swiftly. On March 5 the President issued a proclamation closing the nation's banks for four days and laying an embargo on the export of gold. The same day he called a special session of Congress for March 9 to deal with the banking crisis. (For the background of the banking col-

lapse, see Dr. Ostrolenk's article on pages 152-158 of this issue.) As most members of Congress had come to Washington for the inauguration, it was possible to organize both houses and to be ready for immediate action. The election of Senator Key Pittman of Nevada as president pro tempore of the Senate and of Congressman Henry T. Rainey of Illinois as Speaker of the House of Representatives was therefore only a formality when Congress convened.

Half an hour after Congress met at noon on March 9, President Roosevelt's message calling for speedy action to relieve the banking situation reached the Capitol. Immediately after its reading a bill, embodying the proposals set forth in the message, was introduced, and before 8 o'clock that evening it had passed through Congress and was on its way to the White House for the President's signature. The rapidity of Congressional action was no less unprecedented than the amazing law which had been enacted without study or debate.

Its provisions validated President Roosevelt's previous banking proclamations and orders; he was invested with the power to regulate transactions in credit, currency, gold and silver and foreign exchange, and was authorized also to fix restrictions on the banking business of Federal Reserve members. Penalties were fixed for hoarding gold or gold certificates, but to meet the need for a greater amount of currency it was provided that Federal Reserve Bank notes might be issued against the security of governmental obligations or notes, drafts, bills of exchange and bankers' acceptances. National banks whose assets were endangered might be placed under the direction of a conservator appointed by the Controller of the Currency; the activities of such banks would be restricted. The law provided for the reorganization or organization of banks with or without the aid of the Reconstruction Finance Corporation.

For once the speed of Congress surpassed that of the Executive. Since the regulations for the reopening of the banks had not been completed, the President on the night of March 9 issued another proclamation extending the bank holiday indefinitely. Acting under orders from the Secretary of the Treasury, banks in many localities had meanwhile been releasing funds for payrolls and to provide for the necessities of life. Not until March 13 did any banks function normally; on that date banks which had obtained licenses from the Secretary of the Treasury opened in the twelve Federal Reserve cities; on the following day banks in cities which had clearing-house associations reopened; finally, on March 15, banks in all other places resumed business. But in no case did any bank or other financial institution reopen without a license from the Secretary of the Treasury or authorization from a State banking department.

To many people the reopening of the banks meant only an end to the excitement of the preceding week and the experience of being without sufficient funds. At Washington and in banking circles the reopening concluded strenuous hours of work and sleepless nights. On the other hand, the end of the holiday disclosed the stupendous proportions of the banking collapse. Of the more than 19,000 banks which operated in the United States before March 4, more than 3,000 had not reopened on March 25 and many others were open under restrictions. Cities like Detroit and Cleveland remained without proper banking facilities, while the State of Maine found that its record for reopening was worse than that of any State in the Union. For the public at large the banking crisis had passed, although reform of the system with a view to avoiding a recurrence of the weaknesses now so apparent was still greatly to be desired.

The emergency banking act was amended on March 23 by an act

passed by Congress which extended to State banks not members of the Federal Reserve System the privilege of borrowing directly from the Federal Reserve Banks by depositing satisfactory collateral. The approval of State banking departments, however, would be necessary as well as a thorough examination of the condition of the borrowing institution. The bill also permitted R. F. C. loans on easier terms to State banks.

The results of the emergency banking act, as far as the Federal Reserve System was concerned, became apparent with the publication of the Federal Reserve report for the week ended March 22. During that week gold holdings rose $181,545,000; money in circulation dropped $661,000,000; member banks reduced their borrowings from the Reserve Banks by $561,447,000; and the ratio of the system's reserves to deposits and liabilities rose from 49.1 per cent to 55.5 per cent.

THE ECONOMY ACT

On March 10, while Congress and the nation were still marveling at the rapid passage of the banking law, the President requested Congress to invest him with the power to reduce the pay of all government officers and employes and to reduce pensions and allowances to veterans and dependents of all wars. His message was brief but vigorous, declaring that "for three long years the Federal Government has been on the road toward bankruptcy" and that the growing governmental deficits were contributing to the social and economic distress of the country. Now he sought authorization to effect economies which would aid in restoring the Federal credit.

Though the economy bill was brought to the floor of the House without the backing of the Democratic caucus, it was passed on March 11 by a vote of 266 to 138. Opposition in the Senate proved greater, but not enough to prevent passage of the bill on March 15 without important changes. All existing laws relating to benefits for World War and Spanish-American War veterans were thus repealed. While veterans actually disabled in the World War, and Spanish-American War veterans disabled by old age, were to be retained on the pension rolls, the President was granted power to make regulations for granting other pensions, fixing the degree of disability and prescribing service connection. Civil War pensions were reduced by 10 per cent. Various other provisions would make possible economy in veterans' affairs and wipe out many of the veterans' privileges obtained since the World War. The bill further provided for the lowering of the salaries of Senators and Representatives from $10,000 to $8,500 a year and for the reduction of all Federal salaries up to a maximum of 15 per cent on the basis of the decline in the cost of living. These last would be limited to the remainder of the fiscal year and that ending June 30, 1934.

President Roosevelt estimated that the economy law would save the government $500,000,000, which when added to the savings that would result from the use of his power to reorganize the executive bureaus, should go far toward meeting Federal deficits. The President's continually growing prestige, public opinion and a sense of the dangers confronting the country explain the passage of the economy bill which stepped so hard on the previously invincible veterans' lobby. Only a few months ago the President's victory would have seemed impossible and it still may prove to be pyrrhic since the public's memory is poor while that of lobbyists is unpleasantly keen.

Action under this law and that enacted by the last Congress permitting the President to abolish or consolidate government agencies and bureaus was not long delayed. An executive order on March 27 abolished the Federal Farm Board and grouped all agricultural credit agencies in the Farm Credit Administration. Henry Morgenthau Jr. of New

York was named head of the new organization, which included the Federal Farm Board, the Federal Farm Loan Bureau, the Federal Land Banks, the Joint Stock Land Banks, the Intermediate Credit Banks, the Agricultural Credit Corporation, the Crop Production Loan Bureau and the Loan Bureau of the Department of Agriculture. The changes were expected to bring about a net saving of $2,000,000, in addition to a similar sum saved from unexpended balances.

The following day, acting under the economy law, the President issued another executive order providing for a salary cut after April 1 of 15 per cent for practically all Federal Government employes. An annual saving of $125,000,000 was expected to follow. On April 1, the President signed an executive order reducing veterans' pensions and benefits which affected nearly all the 1,400,000 pensioners on the government rolls. The order, when it becomes effective on July 1, is expected to save the Treasury at least $400,000,000 a year. While the rates for veterans with service-connected disabilities were reduced a flat 20 per cent, the great number of pensioners compensated for non-service disabilities were removed from the rolls. The order, far-reaching and somewhat technical, marks the first time in American history when government pensions have been reduced.

When all authorized reductions in salaries, pensions and benefits as well as government reorganization have been completed, the President hopes that total savings of nearly $900,000,000 a year will have been achieved. Whether or not this policy of economy is sound, it is popular and will go far toward balancing the budget, whose disorder has been cited as the cause for much of the financial and business trouble during recent years. For the moment, however, it lowers purchasing power and increases unemployment, thus adding further to the social and economic distress of the nation.

LEGALIZED BEER

The Senate was goaded into passing the economy bill by a seventy-two-word message from the President on March 13 which recommended the modification of the Volstead act in order to allow the manufacture and sale of beer and other alcoholic beverages permissible under the Constitution. A bill introduced by Representative Cullen of New York passed the House on March 14 by a vote of 316 to 97, but action in the Senate would have been delayed unless the pending economy bill was quickly passed or laid aside. With a public crying, "What! No beer!" the Senate hurriedly forgot the pleas of the veterans to save the old-time privileges. Even so, it was March 22 before the beer bill reached the White House for signature, thus legalizing the manufacture and sale of beer and wine of 3.2 per cent of alcohol by weight, or 4 per cent by volume. A tax of $5 was placed on every barrel containing not more than thirty-one gallons, while brewers and wine-makers would be taxed $1,000. The law also carried provisions for the protection of dry States against the sale or importation of beer and wine of 3.2 per cent.

Since most American laws, however important or significant, do not directly affect the daily life of the citizen, he is scarcely conscious of their existence. When a law does restrict his habits or way of living he protests as he has for years against the Volstead act and the Eighteenth Amendment. For that reason, if for no other, a law removing such restriction would be popular, and thus during March the prospect of beer brightened many a discussion. Men who could forget their palates contemplated the probable fillip to business from the sale and manufacture of a much-desired beverage.

Under the provisions of the Federal law, beer could not go on sale until April 7; during the interim many States endeavored to establish sys-

tems for the regulation of sale and manufacture, systems which would avoid the currupt political control so general in the years before prohibition. At the same time many States were making plans for conventions to act upon the repeal of the Eighteenth Amendment.

A bill which removed all restrictions upon the prescription of medicinal liquor except those established by professional ethics was passed by the Senate on March 29 and by the House the following day. While long favored by the American Medical Association, it would seem that this law helped to kill what little life remained in prohibition. Certainly it destroyed the effectiveness of the clauses of the Volstead act regulating physicians' prescriptions.

FARM RELIEF

With the banking law, economy bill and beer out of the way, President Roosevelt, on March 16, turned to the farm problem. After long conferences between the Department of Agriculture and farm leaders, with constant reference of the conclusions to the President, a bill was drafted which, as Mr. Roosevelt frankly admitted, called for "the trial of new means to rescue agriculture." Because of its complicated provisions, the bill confused members of Congress and disturbed the Eastern press, which continued its failure to appreciate the importance of agriculture in the national economy. One metropolitan daily denied that an "emergency exists with respect to the farmer. He is," this editor wrote, "largely the victim of his own post-war land speculation. The bill now put forward by the President is in no sense national. It is a sectional measure from every point of view." Such sentiments were general throughout the East, but they showed lack of understanding as well as an absence of self-criticism.

The bill actually was not as muddled as superficial examination made it appear. Its purpose was to raise farm prices to the pre-war parity between the things a farmer buys and those he sells. Thus, in aiding the farmer, national purchasing power would be increased with the attendant boon to industry. Five general provisions in the bill would, it was hoped, make possible the attainment of that goal.

The Secretary of Agriculture would be empowered: (1) To obtain the voluntary reduction in acreage of certain crops by compensating producers with rental or benefit payments; (2) to enter into marketing agreements with producers, processors and others for the organization of commodity councils, which would help to determine the wisest plan of acreage reduction and the scale of taxation on processed goods; (3) to license processors and distributers where necessary to achieve the objects of the bill; (4) to impose taxes on the processing of the basic farm products; (5) to use the Smith cotton option plan for reducing the cotton crop of 1933, a plan which was passed by the last Congress but which was not signed by President Hoover. According to this scheme, farmers reducing cotton production by 30 per cent would be allowed to take options on the cotton held by the Federal Farm Board and other government agencies which the Department of Agriculture would buy. The farmer would pay the same price as that paid by the Secretary to the Farm Board and could exercise his option upon proving that he had reduced his acreage by the agreed amount. Reduced production should make possible a price that would bring a profit on both the cotton raised on the farm and that purchased through the option plan.

The sums paid out as benefits to the farmer for reduced production or for rental of the acreage withdrawn from production would be met from the processing tax. Such a tax, of course, would be passed on to the urban consumer, though, as Secretary

Wallace has said, "the slight contribution the consumer will make through retail prices will be more than compensated for by the revived power of farmers to buy the goods and services the city has to sell." The underlying philosophy of the administration's farm relief proposal was expressed by the Secretary of Agriculture in a radio broadcast on March 18. "This bill," he declared, "attempts a major social experiment. It looks toward a balanced social state. It is trying to subdue the habitual anarchy of a major American industry and to establish organized control in the interest not only of the farmer but of everybody else."

In Congress there was no great enthusiasm for the farm relief bill and it became apparent that it could not be rushed through without prolonged consideration regardless of how great might be the need for action before Spring planting. The House, however, under drastic rules which prohibited amendments and limited debate, on March 22 passed the bill by a vote of 315 to 98. Opposition in the Senate, which seemed great at first, gradually melted away after more than a week's hearings and after President Roosevelt had brought pressure to bear upon members of the Senate. But on April 3 the bill had not been passed.

Another phase of the problem of farm relief is concerned with the debts of the agricultural region. In the last Congress, after disturbances in the Middle West arising from tax sales and foreclosures forced consideration of farmers' grievances, bills were offered in Congress for the refinancing of farm indebtedness. Since none of these was passed, it was a foregone conclusion that the Roosevelt administration would seek a solution. The first definite step was taken on March 27 when Secretary Wallace submitted to the House a report which estimated farm debts at a total of $12,000,000,000. There were mortgages on more than 40 per cent of the nation's farms, the report showed, and they represent, "on the average, not far from half the value of all the mortgaged farms." The report recommended: (1) Voluntary adjustment of debts, but with protection for the interests of both debtor and creditor; (2) the refinancing of farm mortgages at low rates of interest; (3) the use of government instrumentalities for refinancing on favorable terms. This report preceded President Roosevelt's own recommendation on April 3 for a gigantic flotation of government bonds to aid in refinancing farm mortgage indebtedness.

AID TO UNEMPLOYMENT

The administration's unemployment relief proposals were filed in Congress on March 21. As outlined by the President in his message, the general plan embodied three types of legislation: (1) Presidential authority to enroll workers for public employment in reforestation, prevention of floods and soil erosion and work in the national parks; (2) grants to States for relief work; (3) a broad labor-creating program of public works. Only the first of these measures was proposed on March 21. It was then recommended that a "civilian conservation corps" of 250,000 unemployed men be enrolled for one year. The members, while being paid not more than $30 a month, would be clothed, fed and sheltered. Those enlisted would serve for one year unless discharged sooner. William Green, speaking for the American Federation of Labor, attacked the proposal immediately as "smacking of fascism, Hitlerism and in some respects of sovietism." He maintained that the low wage scale would tend to depress wages throughout the country and deplored the proposal to place the corps under military discipline. Liberals in many quarters supported his criticism.

At joint Congressional hearings, where Secretary Perkins appeared to defend the bill, Congressmen had the novel experience of being told by a

woman that their attacks failed to "make sense" and of being urged to be "realistic." The bill, which had been introduced jointly in both houses, received favorable committee reports and when finally sent to the President on March 30 had not been altered fundamentally from its original form. As its sponsors readily admitted, the general purpose of this law was relief only, nothing more, but it should help to remove from the city streets thousands of panhandlers and social derelicts.

Before this bill was passed, the Costigan-Wagner-La Follette measure for $500,000,000 direct relief to the States was introduced in the Senate. It provided for the appointment of a Federal emergency relief administrator to handle the fund, which would be raised by the Reconstruction Finance Corporation. Direct grants would be made to the States in amounts equal to one-third of the total expended by each State and its subdivisions for relief during the preceding three months. If additional assistance should be needed, the Federal relief administrator would be permitted to make grants as circumstances demanded. Senator Wagner in explaining the bill said: "It recognizes that not only must starvation be prevented but that standards of relief must be lifted if the growing generation is not to inherit all of the disastrous legacies of undernourishment and demoralization. * * * The plan embodied in the bill is designed to stimulate the maximum of local effort in the provision of relief and to supplement that effort with Federal assistance."

Meanwhile, the Secretary of Labor, whose department appears to be filled with the spirit of the new deal, laid plans for labor conferences, which would discuss further "immediate relief measures" and try to discover ways to assure the "permanent improvement" of standards. Secretary Perkins has also ordered an investigation of industrial wage cutting and has continually emphasized the relationship of wages to purchasing power and prosperity.

REORGANIZING INDUSTRY

While legislation was being pushed through Congress, the President and his advisers were busy studying questions and problems whose solution would stimulate general economic recovery. The railroads and the coal and oil industries stood out prominently in this regard. Almost as soon as the administration took office, discussion of the railroads and methods for overcoming their difficulties began between railway executives and representatives of the President. The results of these meetings formed the basis for later conferences between the President, railway experts and members of Congress looking forward to the introduction of specific legislation. Except for preliminary conferences, action in regard to the railroads belonged to the second month of the administration.

In search of stability for the oil industry, Secretary Ickes called together the Governors of the oil-producing States and representatives of oil companies for a conference on March 27. The chief hope was that production might be limited and that restrictions on output could be enforced, because, Mr. Ickes declared in his address to the conference, "the public is concerned with the necessity for bringing production of crude oil into balance with the market demand for petroleum products. If this balance can be attained, stabilization will follow, with protection to royalty owners, landowners, the consuming public and manufacturing and marketing agencies." When the majority of representatives reached the conclusion that control through cooperation between State authorities and the industry was impossible, Federal regulation seemed in order, since only in that way would allocation of production and supervision of shipments be feasible. A program finally was adopted which asked for a Federal

administrator who would cooperate with State authorities in limiting the production and importation of oil.

President Roosevelt, two members of his Cabinet and leaders of the United Mine Workers met on March 27 to discuss ways of rehabilitating the coal industry. In his campaign Mr. Roosevelt spoke in favor of reducing cutthroat competition in the industry and may well sponsor legislation looking toward that end. Actually a spur to cooperation in the industry was given in a decision of the Supreme Court on March 13 which ruled that Appalachian Coals, Inc., a selling agency for 137 coal producers, did not violate the Sherman anti-trust act. Chief Justice Hughes held that the agency was "engaged in a fair and open endeavor to aid the coal industry in a measurable recovery from its plight."

FINANCIAL REFORMS

Parallel to the administration's efforts to aid in the restoration of major industries, are its measures to protect the public against the evils that seem to be inherent in modern financial methods. Considering the events of the last few years, it should occasion no surprise that regulation of banking practice and of the sale of securities should receive immediate attention. Actual reform of banking methods, while not presented for Congressional action during March, was a future certainty as events of the month made clear. Winthrop W. Aldrich, chairman of the board of the Chase National Bank, announced on March 8 that the bank had decided to divorce its security affiliate and called for a complete separation of deposit and investment banking. He also advocated the denial to private banking houses of the right to receive deposits and the barring of private bankers as directors of banks of deposit.

This sensational statement from a prominent banker came a day after the National City Bank announced that its security affiliate would be divorced and preceded the announcement on March 9 that the First National Bank of Chicago had taken over the banking business of its affiliate. Apparently the banking crisis forced a change of attitude since it will be recalled that the bankers had opposed bitterly the proposal of the Glass banking bill to force over a period of three years the separation of banks and their affiliates.

In a radio address to the country on March 12 President Roosevelt promised to eliminate "bad banking practices" and the next day gave his support to a continuance of the investigation by the Senate Banking and Currency Committee into the banking situation. Senator Fletcher announced that the committee would ferret out "all of the ramifications of bad banking so that the government will be able to guard against their continuance and prevent their return." Meanwhile, bankers in many large cities were under arrest or indictment for misuse of banking funds, and the Department of Justice under Attorney General Cummings seemed ready to prosecute violations of the law to the limit and to take action whenever banking irregularities might be revealed.

Federal regulation of the sale of securities was recommended in a Presidential message to Congress on March 29. Recognized as the first step toward supervision of stock exchanges, the bill which accompanied the message provided for the fullest publicity regarding securities offered to the public by providing that no person or corporation may deal in securities in interstate commerce until those securities have been registered with the Federal Trade Commission. Registration would involve filing with the commission full information, given under oath, about the issue of the securities. If, upon examination, it should be disclosed that any of the provisions of the act had been violated the registration might be re-

voked and suitable penalties inflicted. The Federal Trade Commission would be invested with far-reaching powers to enforce the act, which, in the words of the President's message, "adds to the ancient rule of *caveat emptor* [let the buyer beware] the further doctrine, 'Let the seller beware.' It puts the burden of telling the whole truth on the seller. It should give impetus to honest dealing in securities and thereby bring back public confidence."

The proposed law added nothing to the gayety of Wall Street, but in the chastened mood characteristic of both bankers and brokers at the end of March, feelings of protest, however great, were repressed in public. Congress as a whole approved the proposed law and was expected to grant it speedy passage toward the statute book.

PATRONAGE

No crisis could be great enough to keep office seekers out of Washington. Thanks to the classified civil service the pressure for place and pay is not as great as years ago, though, conditions being what they are, the clamor for office today brings forcibly to mind the remark attributed to Lincoln in 1861—that he felt like a man letting lodgings at one end of his house while the other end was on fire. As the administration's policy seemed to be to withhold most appointments until the immediate legislative program was out of the way, none but essential positions were immediately filled. Still the press of patronage seekers has been tremendous, and Postmaster General Farley, in whose hands rests the power to assign places, has sought to discourage most applicants, forcing them to address him through the offices of the Democratic National Committee. Perhaps the most notable appointment made by Mr. Farley in March was that of Harry M. Durning of New York City to be Collector of the Port of New York, a post which has been the cause of famous political quarrels in the past and which on this occasion was filled without consulting Tammany Hall.

Among the more important diplomatic appointments made during March were the following as Ambassadors: Robert W. Bingham of Kentucky to Great Britain, Jesse I. Straus of New York to France, Josephus Daniels of North Carolina to Mexico and Claude G. Bowers to Spain.

THE MOOD OF A NATION

In surveying the first month of the Roosevelt administration, one must quickly concede that the measures enacted were, for the most part, emergency in nature and therefore only palliatives. The attack on the fundamental faults of the economic and social system was postponed, as was to be expected; for the moment the new deal consisted in restoring lost confidence and soothing the worse sores upon the body politic. If the farm relief proposal becomes effective, it may indeed be the month's only measure of a fundamentally constructive nature. But in March the country as a whole was not alarmed at the failure to remake America in four weeks.

The hope which sprang in American breasts was stimulated by the sight of a President and Congress actually accomplishing something—whatever it was. The political skill with which Mr. Roosevelt handled his program caused admiration; it was indeed novel to have a Presidential message accompanied by a carefully worked out bill which embodied the ideas of that message; and the succinctness of the messages themselves gave a new meaning to the term State papers. But most pleasing of all was the realism with which the new President went to work and his constant assurance that the new deal meant the subservience of all interests to the common good, a phrase which he seemed to guarantee should not be resounding emptiness.

Because of the bank closings and much of the uncertainty accompany-

ing them, the general business situation during March did not reflect the optimism of the country. For the week ended Feb. 25 *The New York Times* index of business activity stood at 52.3: in the following week it fell steadily as the full effect of the banking collapse was felt until for the week ended March 18 it touched a low point of 47.9. The next week, as business picked up slightly, the figure rose to 50.4. Meanwhile, commodity prices improved somewhat, rising, according to *The Annalist* commodity index, from 80.5 for the week ended March 3 to 82.9 for the week ended March 21, but a week later the index had fallen to 82.1.

The dreary story told by these indices was almost ignored by a people enthralled with the performance of the new administration and distracted by events elsewhere in the nation. Certainly it was an amazing month. In the midst of the banking crisis an earthquake in Southern California on March 10 killed more than 100 people, injured several thousand and caused heavy property damage, especially in the city of Long Beach, which was virtually destroyed by the series of shocks. From California, also, came the unexpected news that, on April 26, Thomas J. Mooney would be tried for the remaining and untried indictment against him for complicity in the Preparedness Day bombing in 1916. Years of agitation by radicals and liberals for the release of Mooney now seemed likely to bear fruit, as there could be little doubt that this new manoeuvre was being employed as a means not only to release Mooney from prison but to remove him as an excuse for continued radical demonstrations. (For aspects of this famous case, see the article, "Why Mooney Remains in Jail," in March CURRENT HISTORY.)

Another *cause célèbre,* the so-called Scottsboro case, again became news when, on March 27, at Decatur, Ala., the nine Negroes charged with assault upon two white girls in March, 1931, were brought to a retrial. In April, 1931, the nine Negroes, all of them only boys, were condemned to death in a county court. On appeal to the Alabama Supreme Court, the death sentences were confirmed in all cases but one. Appeal was then made to the Supreme Court of the United States, where, on Nov. 7, 1932, a new trial was ordered on the ground that the original trial, by depriving the Negroes of counsel, had violated the due-process-of-law clause in the Constitution. For two years the case has caused radical agitation throughout the world, since it has been alleged not only that the Negroes were deprived of a fair trial but that the charges against them were based on flimsy evidence.

THE PHILIPPINES

The final report of Theodore Roosevelt as Governor General of the Philippines was made public on March 26, shortly after he sailed from the islands, where he had been in office little more than a year. The report showed that through reorganization of the government, rigid economy, reduction of salaries and revision of the tax laws a treasury surplus existed at the end of the year instead of an anticipated deficit. Under Governor Roosevelt efforts were made to assist the small Filipino farmer in diversifying his crops, to protect him through tariffs on imports, to curb usury, to reassess land values and to make reasonable credit available. During the year the necessity of starting the islands toward economic independence became apparent; a revised tariff policy and the trade surveys in the Far East looked toward that goal.

Mexican Constitutional Changes

By CHARLES W. HACKETT

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IN no country of the New World has there been more far-reaching legislative reform during the past twenty years than in Mexico. In letter and in spirit most of it has been boldly nationalistic, much of it has been radical and some of it, especially that relating to religion, has uprooted long-established institutions. According to recent news the process of revising the organic laws of Mexico has advanced another step. This was the promulgation on March 20 of an amendment to the Constitution limiting the period of office of the President to one six-year term. The last regular Congress had approved the change and it had been formally ratified by two-thirds of the Mexican States. The amendment also provides that Senators and Deputies are hereafter to be chosen for six-year and three-year terms, respectively, and neither may be re-elected for the term immediately following the one in which they serve. Mayors and State legislators are likewise barred from succeeding themselves. As in the case of the President, Governors may serve for one term only.

This constitutional amendment, popularly known as the "anti-re-election law," though owing its inspiration and enactment to the present "strong man" of Mexico, former President Plutarco Calles, is designed to prevent the establishment of any form of dictatorship or the control of either the federal government or a State for a prolonged period by any group or individual. It is therefore one of the most notable measures taken in Mexico to insure the future of the democratic form of government and reflects great credit on the unselfish patriotism and foresight of Señor Calles and his followers of the National Revolutionary party. The transfer of executive power, both national and State, should in the future be orderly and peaceable, in contrast with the conspiracies and upheavals which have so often marred such occasions in the past. There will also be a considerable extension of the opportunities for gaining political experience, and the development of new leaders should be stimulated.

The next general election in Mexico will not be held until July, 1934, but the new law requires the registration of Presidential aspirants before July 1 of this year. Among the prospective candidates who have been prominently mentioned are the following: Luis Cabrera, former Minister of Finance; General Juan Andreu Almazán, military commander of Monterey; General Lazaro Cardenas, Minister of War; Antonio Díaz Soto y Gama, Agrarian leader; Fernando González Roa, Ambassador to the United States; Alberto J. Pani, Minister of the Treasury; General Manuel Pérez Trevino, president of the National Revoluntionary party; Dr. José Manuel Puig Casauranc, Minister of Foreign Relations, and Aarón Saénz, former Minister of Industry, Commerce and Labor.

J. Reuben Clark, present Ambassador to Mexico, is to be succeeded by Josephus Daniels, former United States Secretary of the Navy. Some Mexicans have not forgotten that it was Mr. Daniels who ordered the land-

ing of American forces at Vera Cruz in 1914, and the news of his appointment was followed on March 24 by a Communist attack on the United States Embassy in Mexico City. Windows were broken, but the demonstration did not assume serious proportions. Placards attacking the appointment of Mr. Daniels, however, appeared in all parts of the city. Several alleged Communists were arrested and are to be deported to the penal colony on Marias Island. Opinion among American business men in Mexico City was also reported to be opposed to Mr. Daniels's appointment.

Although the Mexican Government has expressed its willingness to receive him, the selection of Mr. Daniels can scarcely be praised for its tact. Only three months ago the Mexican Government and people held solemn ceremonies in honor of the surviving defenders of Vera Cruz and of the national heroes who lost their lives.

Scattered instances of anti-clerical legislation in Mexico continue to come to light. The Legislature of the State of Guanajuato on March 1 decided that all priests who profess allegiance to a foreign potentate should henceforth be declared foreigners; under Mexican law this action will debar them from officiating as priests. Early in February the State of Chiapas enacted a law which limited the number of functioning priests to four for a population of 500,000, and a month later the complete suspension of Roman Catholic Church activities in that State was reported.

THE SITUATION IN CUBA

The beginning of the long-heralded revolution in Cuba was announced early in March by members of the colony of more than 1,000 Cuban exiles at Miami, Fla. These exiles said that guerrilla warfare was being carried on in order to weaken the Federals by obliging them to scatter their forces before any large scale and decisive action should be undertaken by the rebels. This prediction seemed to be confirmed by news from Havana on March 2 that disorders were increasing in the interior of Cuba, centring in the three lower provinces of Camaguey, Santa Clara and Oriente. Included in the reports was one concerning the incendiary burning of 200,000,000 pounds of sugar-cane in Oriente Province. Havana dispatches of March 4 reported the attack—without casualties—upon the Santiago-Havana Express by an armed band in Santa Clara Province, the daily appearance of new armed forces in the interior, the derailing of a train hauling sugar-cane in Oriente Province and the explosion of a bomb in the residence of the Acting Governor of Camaguey Province. Numerous disturbances of a minor character, including a wave of theatre bombings, were also reported.

If those disturbances constituted the beginning of a revolution, it proved to be an abortive one. Semi-official dispatches of March 7 confirmed reports from the interior that while small bands in at least three provinces had recently taken the field, they were numerically weak, isolated and without leadership. Instead of open rebellion, Cuban discontents apparently found expression in acts of terrorism. Leopoldo Fernández Ros, the chief of the government's strong-arm squad, known as *La Partida de la Porra* ("the Bludgeon Party"), was killed by unknown assailants while he stood at a street corner in Havana on March 11. Seventy-five Oppositionists were reported to have been arrested by the military after the assassination. A large bomb which exploded in the business section of Havana on March 12 killed six persons, wrecked the front of a business house and shattered windows for blocks around. March closed without any change in the situation that prevailed during the first half of the month.

A three-day bank holiday in Cuba, beginning on March 6, which was decreed by President Machado, was extended by him to include March 9. The

first decree suspended for three days all banking operations in Cuba but exempted checks made payable to national or provincial governments and municipalities. The decree extending the holiday for an additional day exempted banking operations connected with the production, manufacture, sale, transportation and exportation of Cuban products; it also provided that payments against importations of all classes of merchandise might be made upon authorization of the Treasury. Withdrawals of deposits from March 9 to March 25 were limited by the decree to 10 per cent, but deposits made after March 9 were not to be subject to limitation. Under these regulations Cuban banks reopened on March 10 and five days later all restrictions were removed and normal banking operations were resumed.

The military censors on March 23 confiscated 115 copies of the April issue of CURRENT HISTORY, because of the article, "Cuba Under President Machado," by Russell Porter. This was the second successive confiscation of the magazine because of articles that the censors considered highly prejudicial to the present Cuban administration. Referring to this article an editorial in *The New York Times* of March 22 said:

"No more impartial review of political conditions has been made. Mr. Porter does justice to the achievements of the President [Machado] in his first term. * * * It is the second Machado administration that has provoked not only warranted criticism but one revolt and the threat of another."

NORMALCY IN NICARAGUA

Nicaragua's progress to normal conditions was assured on March 23 when President Juan B. Sacasa lifted the state of siege which had been declared throughout most of the country by Congress on Jan. 22. In his statement President Sacasa took occasion to urge non-partisan cooperation in fighting against the disasters of the economic crisis and offered the support of his administration to the investment of foreign capital.

MARTIAL LAW IN HONDURAS

Martial law for as long a period as President Tiburcio Carias Andino deems necessary was decreed by the Honduran Congress on Feb. 26.

Repercussions of the American banking crisis were felt in Honduras, and to prevent a panic President Carias on March 8 issued an emergency decree prohibiting for six days the payment by banks of more than 10 per cent on sight obligations.

Foreign Interests in South America

By HENRY GRATTAN DOYLE

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Is the present disturbed international situation in South America purely political, or are there important economic factors involved? Can one discern behind the conflicts over the Chaco and the Leticia region the ugly spectre of economic struggle in which the unseen contestants are willing to sacrifice the youth of four nations for selfish gains? Does the blame for the folly of inciting useless war lie at the doors of American economic imperialism, or to use another expression for the same thing, "dollar diplomacy"? These questions have again been brought into prominence particularly

by allegations of recent commentators on the difficulties that have led to warfare between Paraguay and Bolivia over the Chaco. A discussion of these allegations seems all the more relevant at this time in view of a somewhat general attitude among certain sections in the United States with regard to the record of our business men in South America. So, while the dove of peace still hovers over the two sore spots of the South American continent, unwilling or hesitant to alight despite the best efforts of the sister-nations of that continent, the neutral commission in Washington, the League of Nations and the public opinion of the rest of the civilized world, it may not be out of place to consider briefly the relative truth or untruth of the implications behind these questions.

At the conclusion of his article on "Warfare in the Chaco Jungle" (April CURRENT HISTORY, page 46), John W. White, chief South American correspondent of *The New York Times,* writing from Buenos Aires, says: "Without seeking to weigh the merits of the rival claims of Bolivia and Paraguay, it can be said that the Chaco war is a by-product of South American politics. *Unlike European wars, no vast business interests are involved* [italics, the writer's]. The Chaco hides no wealth of natural resources to tempt foreign concession hunters. But long ago weak South American Presidents found that the most effective way of defending themselves from revolution was to stir up a war scare. The Chaco has served this purpose so often in both Bolivia and Paraguay that people of both countries are convinced that the problem can be solved only by war."

With this point of view the present writer is in substantial agreement. No definite evidence has yet appeared to indicate that Bolivia's insistence on her territorial claims in the Chaco and Paraguay's stubborn resistance to them obey any other impulses than those of nationalistic feeling, patriotism if you like, and the unwillingness of most divisions of the human race at our present stage of civilization to abandon a position which involves national honor, sanctity of the national soil and the like once the proverbial chip has been knocked off the proverbial shoulder.

The opposite point of view is stated, though not accepted, by Elmer Davis in an article appearing in *The New Republic* of Feb. 22, 1933, entitled "Paradigm in Paraguay." "Why the pot at last boiled over [in the Chaco]," he declares, "is clear enough to radical theorists. Bolivia, controlled by American capital, wants an outlet to the sea for her oil and tin; Paraguay, controlled by Argentine (i. e., ultimately English) capital, wants to prevent it. Plausible enough—except that Bolivia has easy access to the sea by rail through Chilean territory; and that in view of the present world prices of oil and tin, you would think that if the Paraguayans really hated the Bolivians they would let them export all they liked, and go deeper into the red. Nor, if Bolivia is an American cat's-paw, is it easy to understand the persistent Bolivian complaints that the Hoover administration was giving Paraguay all the breaks."

Editorial comment in the same issue of *The New Republic,* after indicating an imposing list of authorities, discusses in some detail American loans to Bolivia, American investments in Bolivian tin mines, deplorable labor conditions in Bolivian tin mining and, finally, the activities of the Standard Oil Company of New Jersey, which has a concession for oil-bearing lands in Bolivia. Space forbids quotation of the editorial in full, but we quote sentences of unmistakable implication.

With regard to the tin industry, after reference to the difficulties and relatively high cost of transportation through Pacific ports, the editorial states: "It would be to the advantage of American tin-mining interests to break the British monopoly and cut transport costs by annexation of the Chaco to Bolivia." The statement is

repeated in slightly different form later as follows: "And if transportation costs could be reduced by the annexation of the Chaco, American capital would receive the first fruits of the Bolivian victory." With regard to the oil lands, reference is made to wells brought in and capped by American interests "because it has been agreed that Bolivia was to get 11 per cent in royalties. When Bolivia annexes the Chaco, the wells will be uncapped and royalties will pour into the national treasury." This last statement is apparently based upon the assumption that the Standard Oil Company plans a pipe line across the Chaco to the Paraguay River, a plan which the company has denied (see CURRENT HISTORY for March, 1933, page 732). Development of this area, the editorial further states—on the authority of *The Anglo-South American Handbook*—is retarded by lack of transportation. "Bolivian victory," it declares, "would solve this 'lack of transportation.'" The concluding paragraphs include these statements: "Bolivia is virtually a colony of the United States. American investors own or hold mortgages on the whole land." "Imperialist nations are rehearsing for another world war. The Manchurian episode, the Colombia-Peru squabble and the Chaco dispute, whatever else they are, are struggles for trade and markets."

Disgust over the incompetence of certain American bankers in their loan operations in South America and repulsion at their dealings with corrupt and tyrannical governments should not lead us to condemn all American companies engaged in South American operations. Nor should governments which overthrew the dictators under whom questionable loans were floated be insulted by implying that they have tamely allowed themselves to become American satrapies. The curious thing about the whole theory behind such implications is that it seems to be held only in the United States. Even South American students, usually most outspoken in their criticism of "Yankee imperialism," have not blamed the Chaco difficulty on American economic interests. Neither have the Paraguayans attributed alleged Bolivian aggression to American sources. William Wallace White, Paraguayan Consul General in New York, wrote me as follows: "You are quite at liberty to quote me as stating that no charge that American business interests have fomented difficulties between Bolivia and Paraguay emanates from Paraguay."

One of the most interesting aspects of the Chaco controversy is a discussion between the Rotary Clubs of La Paz (Bolivia) and Asunción (Paraguay) as to the merits of the cases of their respective countries. But the Paraguayan Rotary Club's pamphlet sums up its argument in this sentence: "What Bolivia really wants is not a port, but Paraguayan territory with which to satisfy her political ambitions for hegemony." Nowhere is any foreign influence, open or secret, alleged.

But let us examine some of the points brought out in *The New Republic* editorial. Reference is made to "cutting transportation costs by annexation of the Chaco" as an expected benefit to American tin producers in Bolivia. This statement overlooks the geographical facts in the case. Bolivian tin is produced largely in the highlands. Its shipment by way of the Atlantic would require construction of costly railroads through a mountainous region and across the Chaco, whose swampy jungles have been so graphically described, transshipments to steamers on the Paraguay, and then a 1,000-mile journey down the river to the Atlantic, before the alleged advantages of an outlet to the Atlantic would be available. A further fact, unknown to many people in the United States, is that the Pacific ports of Chile are actually nearer to American ports than is Buenos Aires or Montevideo. For instance, the ocean distance from New York to

Arica, the Chilean port through which Bolivian products are mostly shipped, via the Panama Canal, is 3,938 nautical miles; to Antofagasta, 4,157 miles; to Mollendo, Peru, 3,813 miles. But the distance from New York to Buenos Aires, direct, is 5,871 nautical miles. So much for cutting transportation costs.

With regard to the petroleum, any pipe line across the Chaco, already mentioned, while it would give access to the Paraguay River and thence to the sea, would involve prohibitive construction costs because of the nature of the terrain. Moreover, the natural outlet for oil from the Standard Oil Company holdings is by way of the Argentine. The first drillings of the company were only about fourteen miles from the Argentine frontier, and materials for prosecution of the work were brought from Embarcación, then the railhead of the Northern Argentine railways. Should the projected railroad betwen Santa Cruz (Bolivia) and Yacuiba (Argentina) ever be completed, it would provide direct connection between the oil fields and the outside world. But under present world conditions, with producers trying to curtail production, the likelihood that the oil deposits of Bolivia will compete with those of Venezuela or Colombia, for instance, is very remote—perhaps a matter of a generation or more. In the meantime, science may have very much reduced or even eliminated the commercial importance of petroleum.

It is with the assumption that American investments in Bolivia have made it a "colony" that I have my chief quarrel. It has been pointed out—among others—by Dr. Dávila, who attempted to establish the Socialist Republic of Chile—that investments of foreign capital do not necessarily mean political domination. If so, Great Britain would have "dominated" the United States during certain periods of our industrial development, and on the same basis Canada might be said to be "dominated" by the United States. It is true that American investments in Bolivia increased from $10,000,000 in 1913 to $133,000,000 in 1929, and in Chile from $15,000,000 in 1913 to $395,000,000 in 1929. That expansion, however, was part of the new position as a world power assumed by the United States during that period. In the words of a member of the First Pan-American Financial Conference, "What is the principal object of this conference? The commercial expansion of the United States in Latin America, taking advantage of the situation created by the European War. All the rest is subsidiary. From the standpoint of the Latin countries the corollary of that premise should be: Given the situation created by the European War and the mutual necessity of extending American commerce in the Latin republics of the Continent, to request of American finance the necessary elements for the development of our natural resources and of our national commerce." In other words, the Latin-American countries sought and American capital granted aid in economic development—the identical position that the United States found itself in when it was a borrowing, not a lending country.

Irritation over the financial situation in which some of the Latin-American countries find themselves is directed at their own former leaders rather than at the United States. (See M. A. Marsh, *The Bankers in Bolivia,* page 128.) As J. F. Normano points out in an interesting chapter in his *The Struggle for South America,* "the anti-Yankee movement in South America is not due to economic penetration; it is not a cultural danger (who believes seriously in it?) but mere political atmosphere. The 'Peligro yanqui' in Spanish America is a *psychological phenomenon,* continually incited and nourished by the propaganda in Europe and North America on the one hand, and by the foreign policy

of the United States toward Latin America on the other. The condition in Latin countries in North America, darkly painted by traveling and writing anti-Yankees, colored by European propaganda, and exaggerated by the anti-imperialists of the United States, is one of the causes of these sentiments. * * * Even if Manuel Ugarte, by the will of fate, should ever become a leader of a government, even he would open the door to foreign capital and invite the United States's cooperation:" Despite Dr.Normano's alleged previous history, his book is penetrating and intelligent.

A final quotation may be taken from Mrs. Marsh's *The Bankers in Bolivia*, from which Elmer Davis's "radical theorists" seem largely to draw for their statements. After speaking of dread of North American domination in the Southern continent, she says: "Bolivia, still in the early stages of inducing capital from the United States to invest in its mineral resources and its bonds, with the exception of an almost negligible radical element, has not yet arrived at this anxious state. * * * Except for petroleum, in the exploitation of Bolivia's natural resources Chilean and European concessions and capital actively rival American, while British and German metal buyers are severe competitors of American in handling the mineral output. Bolivia's principal railway system, though built by Americans, is operated and largely owned by a British company. In Bolivia's export trade the United States occupies a very inferior position to Great Britain, although in supplying Bolivia's import needs this country is in the lead. * * * North American investments in Bolivia exceed those of any other foreign country, but they have not monopolized the field by any means, nor does the preponderance of American capital, at present, at any rate, represent the domination of Bolivian life by North Americans. * * * American imperialism in Bolivia is not, therefore, a thing of the present, and the futur is always a matter of conjecture, pre-eminently dangerous procedure. That she follows this procedure in th last few pages of her book does no weaken the facts which precede. The hardly indicate that Bolivia is "a American colony."

Space does not permit discussion o the implication that imperialism—American imperialism?—is behind th Leticia dispute between Peru and Colombia. I shall only quote from th *Boletín* of the CIADE (Confederación Iberoamericana de Estudiantes), a radical group not at all friendly to imperialism, American loans or th bankers: "The possession of the por of Leticia does not increase either th economic power or the spiritual an political force of Peru; neither does i increase the moral and economi worth of Colombia. * * * A boundar conflict over the possession of a piec of equatorial forest, a war for th possession of potential wealth, amon peoples like ours, who have grav problems to solve * * * is a crim without justification unless it be a pretended outrage against patrioti sentiment. * * * The dictator of Peru Sánchez Cerro, will provoke war an attempt to launch his people int armed strife, with the exclusive objec of causing the masses of his people t forget for the moment the struggl for emancipation that they are carrying on against the dictator, attempting, in this way, to maintain himsel in public power, which he retains, a everybody knows, thanks to procedures of terrorism and immoralit which have been universally reprobated."

In concluding this discussion, I repeat that I am not attempting t whitewash American bankers or t justify all the actions of American industrialists in South America. What do refute and deny, until more convincing evidence is adduced, is th implication that American economi interests have plunged Bolivia an

Paraguay, or Peru and Colombia, into the fratricidal strife that all the world regrets and deplores.

The dictators who saddled their countries with unjustified loans have gone, displaced by their own people, and in their places we have men of integrity like Salamanca of Bolivia, Alessandri of Chile and others, who would lift, if they could, the economic burdens which they have inherited and for which they are not responsible. The American bankers are reaping the reward, in part at least, of their stupidity. President Roosevelt's proposals for investment legislation cannot restore the huge losses of American investors, but they are an indication, with his message to Congress, of the attitude of the American public toward actions and practices which more than any other factor are responsible for the point of view with which my comments have had to deal.

THE LEAGUE AND LETICIA

The Council of the League of Nations on March 18 adopted a report condemning Peru and recommending immediate evacuation by Peruvian forces of the Leticia trapezium. The Council also set up a committee to carry out the recommendations of the report, and invited the United States and Brazil to collaborate in the work of the committee. A broadcast by the League of Nations radio station in Geneva gave to the world the full text of the report, which included a summary of efforts to settle the question by Brazil and the United States as well as by the League.

The report brought out the fact that Peru's reply to the League's proposals of March 1 had been unsatisfactory and that Peru had been so notified on March 8. A press report from Geneva quoted Francisco García Calderón, the Peruvian delegate, as saying that "treaties in Europe must be inviolate, but treaties between South American countries must be dealt with in a different spirit." The League report, he was reported to have said, ignored the "moral and psychological" features of the situation. After adoption of the report, the Peruvian delegate walked out of the room, but later said this action meant "I leave the Council, but not the League."

Both Brazil and the United States accepted the invitation of the Council to associate themselves with the proposed committee, and Hugh R. Wilson, American Minister to Switzerland, was named as the representative of the United States, without vote, and with a reservation against being bound in advance by any action of the committee. A proposal on March 22 to adopt an arms embargo against Peru if Peru opposed Colombian reoccupation of Leticia was not adopted, as Mr. Wilson said the United States could not act unless the arms embargo proposal, giving authority to the President to declare an embargo, was passed by Congress. Doubt was expressed as to the authority of the representatives of Germany and Italy to join in such an embargo.

Military operations in the Leticia area have been confined, so far, to minor skirmishes, airplane combats, bombings from the air and one battle in which the Colombians reported that on March 26 they had captured Guepi, on the right bank of the Putumayo River, defended by 500 Peruvian soldiers of the regular army. The battle, the most serious to date, was believed to mark the opening of a general Colombian offensive, for which it was reported that Colombia had concentrated about 10,000 men.

PERUVIAN REVOLT

A short-lived revolt broke out in Peru on March 11. Led by Lieut. Col. Gustavo A. Jiménez, a former Provisional President of Peru and Minister of War under the Samánez Ocampo provisional government, the uprising began at Cajamarca, about 400 miles north of Lima, where the Elev-

enth Police Regiment revolted, but did not spread to other sections because the government had been warned that a national uprising was planned and had taken measures to prevent it. According to government reports, Communists and Apristas were associated with Colonel Jiménez in the revolt. The rebels were defeated by government troops at San Cristóbal on March 14. Colonel Jiménez, who had attempted to escape in a motor car, shot and killed himself when cornered by government forces. According to reports from Chile, Manuel Seoane, a leader of the Apra party, had informed associates that the revolutionary movement was intended to replace President Sánchez Cerro and bring about fundamental changes in domestic and foreign policies, particularly with regard to the Leticia question. According to this report, a pact had been signed at Arica in November under which the revolt was to be begun simultaneously throughout Peru. An unconfirmed report as long ago as Feb. 11 said that a revolt under Colonel Jiménez had broken out at that time. Fourteen officers and 260 enlisted men were captured by the government troops, and on March 15 a court-martial of the rebel prisoners was begun.

EVENTS IN THE CHACO

The Paraguayan Chamber of Deputies on March 7 formally approved a bill authorizing President Ayala of Paraguay to declare war against Bolivia whenever he deemed it advisable. The measure had passed the Senate on March 3. On the same day League intervention in the Chaco dispute was invoked by the representatives of Ireland, Spain and Guatemala "in exercise of the friendly right conferred by the covenant of the League." Hope that the ABC-Peru peace proposals might be accepted was dissipated by reports on March 8 that the Bolivian reply laid down conditions unacceptable to Paraguay, including, it was reported, a proposal for revision of the award made l President Hayes. A plan for e: change of prisoners under the au pices of Uruguay also failed.

A general offensive by the Boliviar began on March 12 and resulted i the worst defeat suffered by the Par guayans since the Chaco war bega last July. Fort Alihuata, between Fort Saavedra and Arce, used by the Par guayans as a base from which to su ply Saavedra and Nanawa, was ca tured. Renewed efforts to take For Toledo were repulsed by the Par guayans. Poison gas was used for th first time in the attacks by the Bo livians. About 40,000 troops were re ported as participating in the offer sive under the orders of Genera Kundt; Paraguay claimed that 2,00 casualties had been suffered by thei opponents at Fort Toledo. On Marc 17 a drive on Campo Jordán (Kilo meter Seven) began, and on the fo lowing day it was announced that th position had been taken.

The loss of Kilometer Seven was serious blow to Paraguayan moral as well as a grave military loss. Th position had been stubbornly defende by the Paraguayans, with somethin of the "they shall not pass" spiri Its loss gave the Bolivians possessio of the whole centre of the Paraguaya line, as well as placing them in a posi tion to make heavier attacks on Fort Arce and Nanawa (Ayala). Rain during the following week prevente further mass attacks, but activity b the artillery was reported as continu ing. Bolivian headquarters were sai to believe that the campaign in th Chaco had reached its final phase.

COLOMBIA'S DEFAULT

During the last week of Marc President Olaya Herrera of Colombia signed a decree under the terms o which Colombia will discontinue re mittances of funds for payment of in terest on the bonds of the nationa government and the government-guar anteed agricultural mortgage ban

loans. It is understood also that the decree applies to the $20,000,000 short-term bankers' loan negotiated in 1930, concerning which there was much discussion in the course of the American Senate's investigation of foreign loans. All departmental and municipal bonds, as well as private mortgage bank bonds of Colombia, were already in default, both as to interest and sinking-fund requirements, while the national bonds referred to above were in default only as to sinking-fund requirements. This means that all Colombian foreign issues are now in default. Interest due on April 1 for national bonds was to be paid, remittance having been made for the purpose. The object of the decree was to employ all available resources to meet contingencies which might arise in connection with the Leticia campaign.

British Financial Stability

By J. Bartlet Brebner

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British attention recently has been directed more to the foreign than to the domestic scene. Events in the Far East, the growing tension in Europe and the American banking crisis have attracted greater interest than otherwise because nothing very dramatic was occurring at home. Yet the very absence of drama concealed a remarkable and successful bit of co-operation between London and New York during the American bank holiday. The British Government, having succeeded in stabilizing the pound sterling at between $3.40 and $3.45 to facilitate trade, was confronted by a rush of international short-term funds to London. "The government is almost embarrassed by the amount of foreign money," said Neville Chamberlain, the Chancellor of the Exchequer. By selling sterling freely and buying francs, dollars and gold through the exchange equalization fund, the British financial authorities were able, during the two weeks before and after March 4, to prevent the pound from fluctuating to any greater extent than between $3.38 and $3.48. The large transactions in francs and French gold helped to check the run on the dollar, and repaid in kind New York's assistance to London in the British crisis of August and September, 1931.

The immense increase in the gold holdings of the Bank of England, which has accompanied the stabilization of sterling at about $3.42, has attracted much attention and has led to many interpretations, among them that the United Kingdom would soon return to the gold standard. The responsible authorities have repeatedly denied this, for it has been easy to demonstrate that since abandoning gold the British price structure has been stable and has reflected only slightly the continued world decline. The one serious possibility, that of a large capital loss which might arise from certain technical aspects of the exchange operations, has been greatly diminished by the glut of cheap money in London. The Treasury has begun to contract the expansion of about £200,000,000 in Treasury bills, which it has used in its exchange policy by converting them gradually into 11 to 16 year bonds.

Lloyd George on March 11 flung a gibe at the whole remarkable financial apparatus and its working since the midsummer of 1931 by saying that it was "about time the golden

calf was converted into honest veal." He thus drew attention to the government's continued failure to restore domestic prosperity. Neville Chamberlain has cautioned the country against the hope of any sweeping revival though he believes that industry and trade are slowly improving. He declares that any increase in employment must be gradual because of the displacement of workers by machines and the end of the usual annual emigration of about 300,000 persons. In the House of Commons, the government has angered its socially-minded critics by refusing to abolish or enforce uniformity in the means test for poor relief and by its abandonment of housing subsidies in favor of local initiative.

Unemployment declined by 46,427 during February to a total of 2,856,638, compared with 2,701,173 in 1932. Trade and industry seemed almost to hold their own, although comparisons were difficult because of the abnormalities of February, 1932. Great Britain has regained her place as first among the exporting nations of the world, but the totals were pitiful when compared with the averages of the post-war years. The decline in foreign trade continued, but at a much lower rate than for other countries:

BRITISH FOREIGN TRADE
(In pounds sterling)

	Feb., 1932	Feb., 1933
Exports	35,464,000	32,400,000
Imports	70,103,000	49,070,000
Excess of imports over exports	34,639,000	16,670,000

An imperial committee on economic cooperation within the Empire, which has been sitting in London, has, according to reports, being engaged in vigorous clashes on policy.

DE VALERA'S PROBLEMS

Eamon de Valera has begun his new term as President of the Irish Free State by concentrating his efforts chiefly on the confiscation of the land annuities and the abolition of the oath of allegiance. J. W. Dulan[illegible] Irish High Commissioner in Lond[illegible] on March 3 informed the British Go[illegible]ernment that the suspended annuit[illegible] —£4,660,000 of which has been [illegible] default since June, 1932—would [illegible] taken out of the suspense account [illegible] order "to use them to finance norm[illegible] exchequer requirements." Presumab[illegible] the money would be used chiefly [illegible] ease the farmers' debt burdens and [illegible] pay bounties so that agricultu[illegible] goods might surmount the British ta[illegible]iff barrier. J. H. Thomas reported [illegible] the British House of Commons [illegible] March 7 that £2,123,000 had been co[illegible]lected in duties on Irish imports sin[illegible] July 15, 1932.

The bill to abolish the oath of a[illegible]legiance went to the Irish Senate [illegible] the beginning of March, but the Se[illegible]ators were adamant in opposing i[illegible] passage without previous negotiati[illegible] with the United Kingdom. Their opp[illegible]sition was fruitless, however, since b[illegible]cause of the general election and r[illegible] passage in the Dail, the bill would a[illegible]tomatically become law on May 3.

The government's economic diff[illegible]culties have not lessened. Ambitio[illegible] plans for the economic self-sufficie[illegible]cy of the Free State have been pr[illegible]pared and will slowly be put into legi[illegible]lative and administrative form, b[illegible] the effects of the tariff war wi[illegible] Great Britain have been aggravat[illegible] by the discontinuance of emigratio[illegible] to the United States and the decline [illegible] remittances sent by Irish-American[illegible] To meet the serious plight of the ra[illegible]ways, a drastic reduction in the cap[illegible]tal structure was proposed along wi[illegible] regulation of motor transport. T[illegible] continuance of the railway strike [illegible] Northern Ireland led to fears of i[illegible] extension to the Free State, partic[illegible]larly as the wage subsidy to railwa[illegible] workers was to end on April 30.

THE CANADIAN BUDGET

Canadians always make the pre[illegible]entation of the annual Parliamenta[illegible] budget an occasion for a nation[illegible]

stock-taking and enunciation of policy. E. N. Rhodes, Minister of Finance, made his budget speech on March 21. As it contained some rather contradictory principles and a number of unexpected expedients, it was exposed at once to criticism by both supporters of the government and members of the Opposition, with the result that a week later there were indications of several modifications before the budget would be finally submitted to Parliament.

Mr. Rhodes announced that during 1932-1933 there had been an ordinary deficit of $53,608,000, a deficit on the Canadian National Railways of $68,000,000 and "a net special expenditure"—chiefly for various forms of federal aid—of $38,010,000, making a total deficit of about $159,000,000. That amount he left unbalanced. He estimated a deficit for 1933-1934 of $70,000,000, but he proposed to meet it by raising new revenue through increasing the corporation tax, lowering exemptions and raising the rate of the personal income tax, taxing sugar 2 cents a pound and toilet preparations 10 per cent, by a few other special taxes and by some rather intricate devices to tax income from bearer securities and that paid in foreign countries or currencies.

A substantial bonus was proposed on a large group of agricultural exports to Great Britain by setting a value of $4.60 on the pound sterling and by establishing a fund to pay the exporter the difference between that figure and the prevailing rate. This Mr. Rhodes described as a stabilizing device in times of exchange fluctuation, but it also amounted to a bounty (at prevailing rates) of about 12 per cent. The proposal seems to have been framed as a counter to the exchange depreciation of the other Dominions whose products compete in the British market. There were a few tariff changes, several of them reductions. Mr. Rhodes also planned to cut Parliamentary appropriations by 10 per cent (about $14,000,000). A conversion loan was foreshadowed for the Autumn to diminish the debt burden and as part of a broader plan of interest reduction.

In many ways the budget gave the impression of the absence of clear governmental policy. Taxation in Canada through customs, excise, sales taxes, other indirect devices and taxes on income and property has become not only heavy but complex. Many critics felt that the government should make more apparent the incidence of taxation; others believed that taxes on foreign interest would injure national credit, that greater governmental economy was desirable, that the primary producer was being too heavily favored, and that the sugar tax (about 50 per cent) was much too high. Special groups, such as the war veterans, who protested vigorously against the loss of pensions, were granted certain unspecified concessions.

Comment on the government's gesture in favor of reciprocity with the United States died away during the month in the light of Liberal surprise, Conservative uneasiness and the obvious concentration of the United States on its domestic affairs. Apparently the next move for reciprocity and the St. Lawrence waterway must come from Washington. An ingenious proposal illustrative of Quebec opposition to the waterway project was embodied in a provincial bill authorizing the export of 300,000 horsepower of electric current to the United States. In Quebec, which cannot consume its present production of electricity, it was argued that if the United States could buy power it would be less anxious to build the canals.

Various aspects of the wheat problem continued to be debated. The British rulings on grain preference have seriously curtailed the movement of Canadian grain through New York. It was reported that in January about

100,000 bushels had been handled there, as compared with over 1,000,000 bushels in January, 1932. Within Canada there has been a sharp clash over a provision in the revised shipping bill, now awaiting Parliamentary action, which would prohibit the transshipment of Canadian wheat at Buffalo unless it had been carried there from the head of the lakes in Canadian ships. The Winnipeg Grain Exchange, which had seen Canadian exporters victimized by Canadian shipping pools in the past when American vessels were out of the trade, was unanimous in condemning the provision.

Wheat prices have remained low (near futures about 50 cents), but exports continued to be about 60 per cent higher than in 1932. Up to March 17 the total wheat exported for the crop season was 159,000,000 bushels, compared to 98,000,000 bushels last year. Nevertheless, foreign trade for February was only 70 per cent (by value) of February, 1932. There was a favorable balance of about $3,000,000, and Anglo-Canadian trade maintained its gains. Increased importation of British coal was planned in advance of the opening of the St. Lawrence in April. The Minister of Finance has helped to stimulate British imports by lowering the value of the pound for customs duties from $4.40 to $4.25 (it was about $4.11 on public exchange).

Canada has deservedly received many congratulations, and has congratulated herself, on the stability of Canadian banks as compared with those in the United States. But the government's promise of the decennial revision of the bank act has worried the bankers, who fear the establishment of a central bank which would stand between them and their present almost direct access to the Department of Finance. They have been heartened by the government's dramatic lectures in the House of Commons on the evils of inflation, but there has been searching of hearts over the obvious necessity for the banks to share the burdens as well as the advantages of lower interest rates.

Industry and business, notably in terms of turn-over, have continued to decline. About 1,360,000 of Canada's population of 10,000,000 were receiving direct relief at the end of February, and the index of employment was still falling. The Canadian Pacific Railway has passed both of its dividends, and a sick newsprint industry has found no prescription for better health. Canada could therefore be counted on to cooperate enthusiastically in any international program for economic recovery.

AUSTRALIA AND NEW ZEALAND

The Commonwealth and State Governments of Australia have been enjoying the conviction that their united efforts to carry out the plans laid down for them by the university and civil service experts have been crowned with success. Debt conversions, economies and financial reforms have put the country on its feet again, and even without any general economic improvement it could manage to get along reasonably well. Great Britain has assisted by continuing the moratorium on war debt payments. The improvement has been reflected in a most spectacular rise of Australian securities in London, despite lowered interest rates.

The Commonwealth government began in March to carry out slowly but systematically the promises of tariff reduction made at Ottawa. Both Australia and New Zealand have been approached by Great Britain for a reduction in the export of dairy products which have so seriously affected British agriculture. Promises of twice the Australian percentages of reduction on British imports from non-Empire countries did not secure the desired concessions. Canada has found that New Zealand butter can easily undersell the Canadian product both in Canada and Great Britain and thus virtually ex-

clude it from the Canadian market. The Canadian bounty on exports to Great Britain referred to above was obviously connected with this situation.

Two Australian States have been wrestling with domestic problems of importance. Western Australia was to conduct a referendum on April 8 on the question of secession from the Commonwealth or the summoning of a convention to secure better terms. As a State whose industries are agricultural and extractive, it has felt itself victimized by the Commonwealth tariff policies. Although the referendum could have no constitutional validity, it might affect the national credit.

The State of New South Wales has been divided over the proposal to reform the upper house of its legislature by fixing its size and choosing the members by a vote of both houses. The purpose is to curb the dominance of the Legislative Assembly over to Legislative Council.

By means of a threat to tax unconverted securities at a higher rate, New Zealand carried out during March the conversion of about £115,-000,000 of internal debt to a 20 per cent lower rate of interest, thus saving the Treasury about £570,000 a year. Reduction of interest on external obligations was postponed until the whole internal economic structure could be rehabilitated.

SOUTH AFRICAN COALITION

Although the explosive re-entry of Tielman Roos into South African politics has ended in his retirement to give a coalition of the Nationalists and the South African party a chance, he really attained both his avowed objectives—cessation of party strife and abandonment of the gold standard. The Union Parliament was prorogued on March 2 while General Hertzog (Nationalist) and General Smuts (South African party) explained the proposed coalition to their supporters. For the first time in their twenty-one years of political life, the old leaders were at peace, and their generous tributes to each other and their appeals for unity made a profound popular impression. On March 28 the membership of the new Cabinet was announced. General Hertzog continued as Prime Minister and General Smuts became Minister of Justice, with the other positions evenly divided between the two parties.

A general election was planned for July with a plea for "a doctor's mandate" to the coalition. Labor has declined to oppose the new government at the polls. Dr. Malan, former Minister of the Interior and leader of the Cape Nationalists, fought the coalition to the end and was not included in the Cabinet. It was felt that he had lost, rather than gained, in electoral support by his attitude, and it was notable that Mr. Fourie, who had also opposed the coalition, had submitted and received the portfolio of Labor.

An interesting sequel to the Ottawa conference has been the closing of the South African trade office in New York and the opening of one in Montreal.

INDIA'S NEW CONSTITUTION

The British Government on March 17 issued a White Paper which contained the new Indian Federal Constitution. It provides the framework for a central government and eleven provincial governments, exclusive of the internal arrangements in the Indian States under their Princes, who rank as allies of the British Crown. The underlying purpose of the new Constitution is to lay the chief burden of domestic administration on the provinces. Though it cannot become effective until the Princes, representing half the population of the Indian States, accept its provisions, and a sound non-political central reserve bank is established, the new governments should begin to function in 1935 provided unexpected obstacles do not arise.

It had been expected that the bitter

opposition of Winston Churchill and from 60 to 100 Conservative members of Parliament might force the government to default on some of its Round-Table pledges. While this did not happen, it led to an unfortunate defensive tone which emphasized the safeguards of the plan, measures which, if harshly exercised, might largely diminish the autonomy conceded under the Constitution. Defense and foreign relations are reserved for British control and the Viceroy is given a number of emergency powers in relation to domestic crises in religion, minorities, currency and justice for Europeans. The whole scheme is designed to insure strong Executive powers.

In spite of Conservative charges, the new plan does not provide for general democracy. The electorate for the Provincial Legislatures numbers 38,000,000 men and women (about 27 per cent of the population), and for the Central Legislature 6,000,000 (about 4 per cent). The upper house (Council of State) of the Central Legislature is to have 100 members appointed by the Princes, 150 indirectly elected by the Provincial Legislatures and 10 appointed members. The lower house (House of Assembly) is to have 125 members appointed by the Princes and 250 directly elected.

As anticipated, the proposed constitution found few whole-hearted friends in either India or Great Britain, except among British Liberals, some of the men who had been associated with Sir John Simon or those deeply implicated in the Round-Table conferences. During the three-day debate in Parliament at the end of March, party lines disappeared, but in general, it was Conservatives who said the scheme meant abdication, Liberals who favored it and Laborites who declared it was generous enough. In India the proposals were almost unanimously denounced. [For a statement of the Indian case for independence, see the article by D. N. Banerjea on pages 169-175 of this magazine.] The Nationalists were contemptuous, and even the moderates objected to the two preliminary conditions and the extent of the safeguards. Certainly the ultra-Conservative attack had forced the British Government to give more emphasis to the safeguards than to the self-government which was to be granted. During the Spring and Summer the White Paper is to be discussed by a committee of both houses of Parliament and by an Indian consultative committee preparatory to the drafting of a bill.

It has been impossible to obtain any satisfactory general account of domestic conditions in India. The government has continued to repress all Congress activities. Gandhi—heading the Hindu reformers—and the Orthodox Hindus have continued to differ about admission to the temples of the Untouchables, who are now officially called "the scheduled castes." Government finances were in such good condition that salary cuts were partially restored and over £1,500,000 were applied to debt reduction. Gold exports substantially reduced private debts abroad. Nevertheless, the economic condition of the Indian masses, particularly in agriculture, continued to be a grim battle for existence, with the ubiquitous money-lender snatching what he could. Business in Bengal and in the Bombay Presidency continued to be markedly depressed, and the Indian railways were losing money.

The confusion in Burma over separation from or federation with India has continued almost undiminished. Burmese opinion seemed to incline toward either federation, including the right to secede, or separation on terms of greater autonomy.

France Reduces Her Deficit

By Gilbert Chinard

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After a most painful wrangle, which at times jeopardized the existence of the French Cabinet, headed by M. Daladier, the Chamber of Deputies and the Senate on March 1 finally agreed upon the new budget which, it is estimated, will effect a saving of about $200,000,000. The result will be due to reductions in the military appropriations, a 10 per cent increase in the income tax, improved supervision of income tax returns, additional duties on transportation, oils, alcohol and stamps, and finally a cut, varying from 2 to 8 per cent, on all salaries paid by the government or the municipalities. Reluctantly, the members of the two houses accepted a similar reduction of their own allowances.

In spite of the strong protests made by many organizations of civil servants when the finance bill was under discussion and of the threat to declare a general strike in the public services, the law has been accepted without any real manifestation of dissatisfaction. It had, however, an unexpected result in splitting the Socialist party in the Chamber. Refusing to follow their leader, Léon Blum, 104 Socialists voted for the government's project and only twenty-four opposed the bill. It was feared at first that the incident would force an immediate rearrangement of the groups in the Chamber, and that some Deputies listed nominally as Socialists would join the left wing of the Radical-Socialist party, accepting, against the tradition of their party, eventual participation in a new Cabinet. But apparently nothing is to be decided before the annual meetin of the party which will be held a Avignon late in May. Thus, while th position of the Cabinet of Premie Daladier is still precarious, it seem to be able, for the time being at leas to retain itself at the helm of th French nation.

Pursuing its plan of financial recon struction, the government followe the budget with a bill which woul authorize a consolidation loan about $400,000,000. This became la without much discussion. The mone is intended to cover the budgetar deficits of the past three years and t permit the financing of several recon struction plans, such as completion the fortification system, electrific tion of the railroads throughout th country, provision of cheap housin and improvement of port facilitie The loan was made especially attra tive to subscribers since the bond which bear 4½ per cent interest, we issued at 98½. They will be redeem able at semi-annual drawings—at $6 for each $40 par value—and are e empt from special taxation. The fir instalment of the bonds was place on the market immediately and wa oversubscribed. The Bank of Franc has authorized the coinage of silve and the new money will be soon i circulation. Despite these financial de velopments, a disquieting fact is see in the falling off of public revenu during the month of January; th total amounted to $129,920,000, bu was about $23,480,000 below the est mates and $11,920,000 less than i January, 1932.

According to M. François-Alber

Minister of Labor, the French Government has reached the limit of its capacity for unemployment relief. At least $40,000,000 has been paid out, and although the number of unemployed shows a slight tendency to decrease, the situation remains critical. According to the official statistics, the number of persons receiving help was 329,856, but these figures represented only the registered unemployed. The real number was probably four times as large. Efforts are being made in some districts, particularly in Northern France, to assist the most destitute people by giving them ten-acre lots equipped with portable houses rent free and the use of some animals —a cow, some pigs or sheep. As the government was contemplating a bill for the encouragement of departmental relief, the proposed public works might provide a certain amount of help. In accordance with this policy it may be noted that financial aid has just been given to the French Line to permit the equipment of the giant ship Normandie launched at Saint-Nazaire on Oct. 29, 1932.

A great deal of satisfaction was derived from the marked stability of the franc during the American bank holiday. The effect on the French market was almost negligible. The unofficial rate of the dollar varied from 20 to 24 francs, with promise of further adjustment if the rates improved when the banks reopened. French bankers regarded the American crisis as purely domestic and gratification was expressed when it appeared that inflation would be avoided. Thus, faith in America has not been shaken, and President Roosevelt is one of the most popular men in France at the present day. At a time when dictators rule in Europe in a desperate effort to avoid chaos, many find hope and encouragement in the fact that an energetic leader may restore confidence in the government without a coup d'état and with the consent of the people.

Early in March, it was announced that Philippe Berthelot, General Secretary of the Foreign Office and since 1915 a dominant figure in French foreign affairs, would retire temporarily. He was a close friend and collaborator of Aristide Briand and has been most influential in shaping French foreign policies and in insuring their continuity in spite of ministerial changes. His successor, Alexis Léger, who becomes the highest permanent official of the Quai d'Orsay, may be considered in many respects as a disciple of Briand and may be expected to continue the tradition established by M. Berthelot. Several changes have taken place in the embassies: Charles Corbin, French Ambassador to Brussels, who has attended most of the international conferences during the last ten years, is to succeed M. de Fleuriau in London; Charles Alphand goes from Berne to Moscow to take the place of Count Dejean who is retiring; Paul Claudel is to leave Washington for Brussels, and André Lefebvre de Laboulaye, Assistant Director of Political Affairs in the Foreign Office, will succeed him in Washington. The new Ambassador has previously occupied diplomatic posts in Berlin and Washington and his appointment has been well received by the press of all parties. Further changes in the personnel of the Foreign Office will be made as soon as the Minister, M. Paul-Boncour, completes his plans for the reorganization of the service.

In spite of the official optimism maintained by the government, the French people are visibly uneasy and distracted by recent foreign developments. The Hitler victory shocked them deeply. Even Léon Blum, while declaring that there was no immediate danger of war, took a gloomy view of the situation and could not refrain from expressing some anxiety. The speech of the Chancellor to the Reichstag was received with satisfaction in government circles, and hope was expressed that the responsibilities of power and the advice of the

German Foreign Office would force Herr Hitler to observe a certain restraint. The moment seemed ill-chosen, however, to abandon the present system of alliances in which the French continue to see their main guarantee of security, and to accept the Mussolini four-power peace plan.

In a communiqué given out after a conference between Prime Minister MacDonald and Premier Daladier the French position was clearly indicated. While reaffirming their desire to see peace in Europe established on secure foundations, the French Government maintained that the cooperation between the four great powers must be within the framework of the League of Nations. Under the present circumstances, the French could not consider a proposal which would open the door to the revision of the Versailles treaty without consulting their allies of the Little Entente and Poland. The proposal to grant Germany equality of armaments would meet strong opposition in the French Parliament and among the French people.

Whether their fears are justified or not, the French continue to be apprehensive of a possible war; recent developments have done nothing to reassure them. That there is abhorrence of war and a strong will to peace cannot be denied. The anniversary of the death of Briand was the occasion for many manifestations in Paris and at Cocherel, where the former Prime Minister was buried. M. Paul-Boncour seized the opportunity to declare that France had not departed from Briand's policies and emphasized the firm determination of France to live up to the "compact of the League."

Added to the disquiet caused by the European situation, fear that France might find herself isolated at the World Economic Conference is expressed in some quarters. The interview given by President Roosevelt to M. Claudel at Albany before the inauguration and the attitude attributed to the President by the French press have revived the belief that it should be possible in the near future to reach an agreement on the debt. It is felt by M. Herriot that, unless the government decides to pay the December instalment as soon as possible, France will soon find herself either alone or in a distinctly disadvantageous position. Following the advice given by Ambassador Edge on the eve of his departure from France, a movement was started urging "as an act of good will" the payment of the $19,261,432 due last December. René Richard, a member of the Chamber of Deputies, had planned to make such a proposal, though the government was not ready to discuss it publicly. At a meeting of the Finance Committee of the Chamber, M. Paul-Boncour opposed the move on the ground that negotiations were going on, and that the attitude of the American Government would soon be ascertained.

BELGIAN WAR FEARS

Belgium, like France, is fearful of foreign aggression. War Minister de Vèze has outlined a building program for fortifying the Eastern frontier on which about $5,000,000 has already been spent. Further work will be financed by a $2,000,000 loan. It is estimated that this undertaking will provide work for a large number of the unemployed. The government has taken steps to forbid the sale of war masks which were advertised in many stores with exhibits intended to demonstrate the dangers of gas attacks.

All negotiations for a new Dutch-Belgian treaty were at a standstill until after the Dutch Parliamentary elections on April 26. In the meantime economic difficulties continue. The Antwerp diamond cutters preferred to be locked out rather than accept a reduction of wages. The Belgian horticulturists, who before the war had almost a monopoly of early vegetables, hot-house grapes and bulbs, are suffering from the restrictions established by the United States, Great Britain, Germany and France.

The Hitler Dictatorship

By SIDNEY B. FAY

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THE Hitler-von Papen Cabinet, representing the Nazi-Nationalist coition, on March 5 won an unprece-nted victory in the Reichstag elec-on, securing about 52 per cent of the tal popular vote of more than 39,-00,000 and a similar proportion of ats in the Reichstag, thus giving e combined Nazis and Nationalists clear majority.

The victory was undoubtedly due in rt to the government's strong-arm ethods before the election—its mo-poly of the radio for campaign eeches, its suppression of opposition wspapers and electioneering meet-gs and its creation of a wave of steria, as a result of the burning of e Reichstag building, to the effect at Germany was in danger from a eat Communist and Socialist plot. ut it was nevertheless a legal vic-ry, won under constitutional forms. opened the way either for modera-on, now that Hitler has finally hieved the Chancellorship and a par-mentary majority, or for measures creasing Nazi power still further in e direction of a dictatorship.

The possibilities were well summed by an earnest editorial in the *ankfurter Zeitung,* a very widely ad and influential liberal paper ntrolled by Jews. This paper de-red after the election:

"The question which the govern-ent put to the people in this election s received an unequivocal answer: e Cabinet of national concentration s received a vote of confidence. ancellor Hitler is entitled to give edit for this essentially to the party has created. The tactics employed by National Socialism have borne fruit; the movement has won power in a legal, democratic way. And the great success of its propaganda would indeed have been impossible but for the psychological insight behind it.

"Yet in dwelling upon the most human aspect of the National Socialist movement it must be stated in the same breath that the human longing behind it has suffered horrible distortion through the sentiment of hate evoked through these millions. It is impossible to forget that National Socialism owes much of its success to its anti-Semitism. Race hatred is an old instrument of political tactics; it is, none the less, doubtful whether it is a good instrument. Almost all of what the National Socialist press offered in the past gives rise to the question whether anti-Semitism, questionable in itself, has not been used in Germany to divert the masses from thinking."

Suggesting that it was now the duty of the National Socialist leaders to call off this propaganda, the *Frankfurter Zeitung* continued: "National Socialism can now afford to change the methods of its struggle for power. There is no sense in keeping up longer the fiction that the enemies of the National Socialist party are the enemies of Germany. This applies also to the Centrists and the Socialists."

These counsels of moderation were not followed. On the contrary, the next weeks witnessed a series of measures which virtually meant the scrapping of the Weimar republican Constitution and its replacement by a Hitler dictatorship. They also wit-

nessed the most violent outbreak of anti-Semitism and the most violent consequent protest from Jews of other lands which the world has seen since the Dreyfus case in France and the pre-war pogroms in Russia. (See the article "Germany's Anti-Jewish Campaign," on pages 137-140 of this magazine.)

On March 12, the German Memorial Day, on which the country mourns its war dead, the republican flag—black-red-gold—the flag of the liberal students who had fought to overthrow Napoleonic oppression, the flag of the liberals of 1848 who had worked for German unity and constitutional liberty, was hauled down. President von Hindenburg decreed that henceforth the colors that should fly upon all public buildings should be the former imperial black-white-red ensign and the Nazi swastika—the hooked cross—side by side. "These flags," he said, "unite the glorious past of the German Reich and the puissant rebirth of the German nation. Unitedly they shall embody the power of the State and the imminent interconnection of all the national sections of the German people."

The extension of the control by the federal government over the State governments, which was inaugurated by von Papen's appointment as federal commissioner last year, was pushed energetically forward by Hitler. Even Bavaria, which had long been most tenacious of its "State's rights," and most opposed to Prussian domination, was forced to yield on March 9. Dr. Heinrich Held, the Bavarian Catholic Premier, was presented with an ultimatum demanding the immediate appointment of a new Bavarian Cabinet, which should represent the Nazi majority won in the election. While he was considering with the Cabinet how the ultimatum should be answered, the Ministerial building was closed by Nazi storm troopers, and it was announced that General Franz Ritter von Epp, Nazi Deputy in the Reichstag, had been appointed by the Hitler Cabinet as Police Commissioner for Bavaria. This placed the Nazis in practical control of Bavaria, and broke down the last remaining stronghold against them.

Bavaria's swift and peaceful capitulation meant that at last all the seventeen German States were under the effective control of the Nazis and the federal government from their centre in Berlin. Prussia is ruled by Reich commissioners and by Goering, the Nazis' most militant sub-chieftain, as Prussian Minister of the Interior in charge of the Prussian police. Bavaria, Württemberg, Saxony, Baden, Hesse, Schaumburg-Lippe and Bremen are controlled through Nazi police commissioners. The remaining nine States have either purely Nazi governments or coalition governments dominated by Nazis.

The policy of completely crushing the Communists throughout the Reich was continued by arresting several thousand of their leaders and more influential members. Probably more than 5,000 were thrown into prison and kept for weeks without being allowed to see their families. Karl Liebknecht House, the former Communist headquarters in Berlin, seized by Goering's police, was renamed Horst Wessel House and converted into a Nazi police headquarters. Wessel, a young Nazi, had become a hero because of his death in a street fight with Communists. It was also announced that the Communists recently elected to the Reichstag, being in prison, would not be allowed to take their seats when the Reichstag convened.

In the municipal and communal elections in the State of Prussia on March 12 the Nazis also won sweeping victories similar to their triumph in the Reichstag elections the week before. This meant that some 200,000 minor officeholders, formerly largely Social Democrats or Communists, would be replaced by Nazis or by Na-

tionalists, mainly the former. It further emphasized the Nazi leader's adoption of the policy, one long familiar in the United States but hitherto one which happily had been relatively little practiced in Germany—the policy that to the victor belong the political spoils.

The Hitler government's success in the Prussian elections also resulted automatically in the removal of Dr. Konrad Adenauer, a Centrist, from the so-called triumvirate consisting of the Prussian Premier, the President of the Prussian Diet and the President of the Prussian State Council. This put all three offices under the control of the Nazi-Nationalist coalition, though the office of Prussian Premier was not filled at the opening session of the Prussian Diet on March 21. The reason for this was said to be a difference of opinion within the coalition, the Nazis wanting the Premiership for Hermann Goering, and the Nationalists claiming it for former Chancellor von Papen.

The newly-elected Reichstag held its first ceremonial meeting in the Garrison Church at Potsdam, since the Reichstag Building was not available on account of the recent fire. The republican Constitution of 1919 was drawn up by a convention sitting at Weimar, a small German capital and centre of culture, associated with the names of Goethe and Schiller, and well removed from the possible pressure of mob influence or of the Hohenzollern Castle of Berlin. For the meeting of the new Reichstag, which was expected virtually to scrap the republican Constitution, at least for a period of four years, Potsdam was chosen. Potsdam, in contrast to Weimar, symbolized the essence of the old Prussian spirit as typified by Frederick the Great.

Standing in the chancel of the old Garrison Church, President von Hindenburg welcomed the Deputies with the following words: "The place where we are assembled today admonishes us to look back at the old Prussia, which in fear of God attained greatness through faithful labor, never-failing courage and devoted patriotism, and on this foundation united the German peoples. May the old spirit of this glory-hallowed site also imbue the present generation! May it free us from self-seeking and party squabbles and join us in national solidarity and spiritual regeneration for the benediction of a free and proud Germany united within itself!"

Chancellor Hitler followed with a speech in which he dwelt upon the familiar theme of the decay of Germany during the fourteen years of the rule of the Centrist-Socialist Weimar coalition. He repudiated the charge of Germany's guilt for the World War. He appealed for unity in support of the new government represented by himself, saying: "We shall honestly strive to unite all of good-will and we shall render harmless those who would harm the nation. We want to fashion the peasants, burghers and workers of all classes and occupations into a genuine commonwealth in which the different interests shall be equalized as the nation's future demands. To the outside world, weighing our one-time sacrifices of war, we want to be sincere friends of peace, which at last shall heal the wounds from which we are all suffering." Then stepping solemnly and dramatically aside Hitler deposited a wreath on the tomb of Frederick the Great.

This first session was made up mainly of Nazi, Nationalist and Centrist Deputies; the Communists were excluded by being kept in prison and the Social Democrats absented themselves, many of their members also being in prison or having sought safety abroad. But at the first regular business meeting of the Reichstag, held in Kroll's Opera House across the square from the old Reichstag Building, Social Democrats were present. The Reichstag proceeded quickly and quietly to choose its officers, and then, on March 23, enacted five sweep-

ing articles, which virtually gave Hitler dictatorial power for a period of four years—until April 1, 1937—as follows:

"*Article* 1. Federal laws may be enacted by the government [i. e., by the Cabinet] outside the procedure provided in the Constitution, including Article 85 (providing that the budget must be adopted by legislative act), and Article 87 (providing for legislative action to authorize the government to make loans and credits).

"*Article* 2. The laws decreed by the government may deviate from the Constitution so far as they do not deal with the institutions of the Reichstag and the Federal Council as such. The prerogatives of the President must remain untouched.

"*Article* 3. The laws decreed by the government are to be drafted by the Chancellor and announced in the *Official Gazette*. If not otherwise ordered, they shall become effective the day following announcement. Articles 48-72 of the Constitution (regulating the announcement and publication of laws) do not apply to laws decreed by the government.

"*Article* 4. For treaties of the Reich with foreign nations regarding matters of the Reich's legislative authority the consent of legislative bodies is not needed so long as this act is in force. The government shall issue decrees necessary for the enforcing of these treaties.

"*Article* 5. This law shall become effective on the day it is announced. It shall remain in effect until April 1, 1937. It shall expire when the present government is replaced by another one."

The effect of these five articles is to confer on the National Government, that is, on Hitler as Chancellor and his Cabinet, a blanket power of attorney for the German people. The frame-work of the old Constitution is not destroyed; the machinery is merely set aside and is not to function for the four years that Hitler exercises dictatorial power, if he continues for that long in office. If his Cabinet should be replaced by another one, the old Republican machinery is there to be called back into operation again.

Though Article 2 states that the prerogatives of the President must remain untouched, he is really relegated to the background. He can no longer veto a bill or appeal in a referendum to the people. His signature is no longer required to laws, which are to be drafted and promulgated by the Chancellor. Whether he might still dismiss the Chancellor is not clear.

As the Chancellor is charged with forming his Cabinet, subject to the President's approval, it is presumed that Hitler could force out his Nationalist colleagues who now share the power with him. Von Papen, Hugenberg, and the other Nationalist or non-partisan Ministers, who at first were expected to hold Hitler in check, could presumably be thrown aside and replaced by his own Nazi followers.

The so-called fundamental citizens' rights guaranteed by the Weimar Constitution—equality before the law, personal liberty, freedom of meeting and of speech, the inviolability of home and property, and so forth—are now virtually suspended, inasmuch as the government is empowered to decree laws "deviating from the Constitution." Under this proviso, for example, it would be possible for the Hitler government to give a special status to such German citizens as were deemed unfit and undesirable for admission to full citizenship, according to Nazi tenets.

To sum up, there is nothing the government cannot do under these articles except that it must not diminish the remaining rights of the President and must not abolish the Reichstag and Reichsrat as "institutions." This seems to mean that there is no intention of any restoration of the monarchy.

The five articles granting dictatorial powers were rushed through the

three necessary readings at one session of the Reichstag, and passed by a vote of 441 to 94. This was considerably more than the two-thirds majority required by the Constitution for amendments. The Centrists, apparently seeing the futility of opposition, voted for them with complete docility. The Social Democrats opposed the granting of dictatorial power with 94 of their 120 votes, about a dozen of their Deputies still being in jail as political prisoners and the rest being absent.

Even before being given dictatorial powers, Hitler brought about changes in several important positions. Dr. Hans Luther, who became President of the Reichsbank in 1930, concluded after several talks with Hitler that he could not cooperate heartily in all the Chancellor's plans. Therefore, in order not to create friction between the bank and the government, he resigned from the Reichsbank on March 16. It was announced that he would be appointed German Ambassador at Washington in place of Baron von Prittwitz.

The appointment of Dr. Hjalmar Schacht as President of the Reichsbank in place of Dr. Luther brought back into active political life one of the shrewdest and ablest of Germany's financiers. Though regarded as less conservative than Luther, Schacht has had very wide financial experience. He came into prominence in the Fall of 1923, when, as special currency commissioner, he was entrusted with the almost hopeless task of stabilizing the frightfully depreciated German paper mark. He did it by introducing the so-called rentenmark, which paved the way for the regular full-value paper mark which was adopted a few months later after the adoption of the Dawes Plan.

Schacht then became President of the Reichsbank for several years, and helped work out the Young Plan in its original form. But he refused to accept it with the modifications prejudicial to Germany adopted at the Hague conferences in the Winter of 1929-30, and consequently resigned from the presidency of the Reichsbank at that time. Later he spoke at the Harzburg coalition meeting of the Nazis and Nationalists and appeared to have identified himself with their cause. It was therefore not unnatural that he should be rewarded by being restored to his old place

Another significant new official appointment was that of Dr. Paul Joseph Goebbels as head of the Reich's newly created Ministry of Propaganda and Popular Enlightenment. Called from the Rhine region several years ago to organize and head the Nazi movement in Berlin, he contributed not a little to the upbuilding of the Hitlerite power in Prussia. His work as a propagandist, based in large part on an appeal to anti-Semitism, he has described in his interestingly written book, *Kampf um Berlin* ("Struggle for Berlin," 1932).

Dr. Goebbels conceives it to be his task to make all the peoples of Germany see the righteousness of the Hitler cause and therefore to support it, and also to make the outside world understand the nature of the recent "National Revolution." Talking to newspaper men after his appointment, he said: "Naturally you newspaper men will receive information from my Ministry, but you also will receive instructions. You are to know not only what is happening; you are to know what the government thinks about it, and how you can most appropriately elucidate it to the people." In later warnings to the foreign newspaper correspondents against disseminating false news or news prejudicial to Germany, that is, to the Nazi cause, and in threatening their expulsion and exclusion of their papers, he made it clear that his Ministry might be likely to function somewhat like a censorship bureau—with all the disadvantages which such a censorship inevitably entails upon a country, at least as far as foreign public opinion is concerned.

The Remaking of Spain

By WILLIAM E. LINGELBACH

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THE Spanish Government during March continued the work of reorganizing the State, despite the filibustering tactics of the opposition in the Cortes. At times the intense feeling reached a climax, as in the case of the non-confidence vote over the Casas Viejas incident in January, and again in the session of March 16, when Premier Azaña requested the support of the Cortes for the suppression of the dangerous elements seeking the destruction of the republic. He was sustained by a vote of 210 to 1, but the opposition deputies left the hall in a body by way of protest, before the vote was taken.

A more vigorous policy of repression is demanded for numerous reasons. Among them are the continued activities of the Syndicalists on the one hand, and the threats of the Royalist and Fascist organizations on the other. To these are added the illegal land seizures by the peasantry, the prolonged strike of the furniture workers and the chronic disturbances in Barcelona, where sporadic raids on stores led to the closing of about 2,000 tobacco shops by the proprietors, because of the lawlessness which the police seemed unable to stop.

The action of the police in the Casas Viejas affair during the Anarchist-Syndicalist uprising in the Province of Cadiz in January when twenty Anarchists, including their leader, "Six Fingers," were killed in cold blood, caused the government much annoyance. The opposition parties in the Cortes seized on the incident to expose what they called the inhuman methods of the Ministry. Eduardo Ortega y Gasset, a radical Socialist member, threw the assembly into an uproar by reading the depositions of the captains of the shock troops to the effect that orders were given to take no prisoners. In the face of the report of a parliamentary investigation the Premier, who had asked for time to look into the matter, frankly acknowledged that, contrary to the first reports, investigations by the Department of Justice showed that the troops had been unnecessarily severe. Chief of Police Menendez was forced to resign and was subsequently placed under arrest despite his services to the republic in suppressing the Royalist uprising last August.

In general, however, sentiment was strongly in favor of vigorous measures against the constant acts of lawlessness; the government press demanded the "mailed fist" against the "hordes of Communists and Anarchists" who continue to disturb the peace of the country and threaten to upset the republic. Some journals urged the assumption of dictatorial powers, while others, like the Catholic organ *El Debate,* called upon Azaña to make way for a semi-dictatorship. *La Voz* disapproved the talk of a dictatorship but insisted that "the Communists and Syndicalists must be crushed."

Acts of violence and bombings on a small scale occurred almost daily in connection with the strike of the furniture workers, which began in November last and was only partly ended in the last week of February, when more than half the men returned to work. One of the major issues in this case was the demand for fewer holi-

days (*fiestas*). The employers were asked to furnish the tools, agree to a forty-four-hour week and only one holiday a year—May 1, Labor Day. They agreed to the first, compromised on the second but refused the last as contrary to Spanish custom, it being inconceivable that Christmas, the new year and the anniversary of independence should not be celebrated. Behind this phase of the dispute there is a more practical question of wages, for many of the workers are paid by the month. Perhaps if all employes were paid by the day the excessive number of holidays would quickly be reduced without further effort. In Barcelona sporadic outbreaks showed that labor discontent was by no means at an end. Late in March the manager of the Motor Transport Company and the owner of a furniture shop were shot as a preliminary to the attack of armed bands upon two of the larger cabinet shops. All the furniture was wrecked and the proprietors forced to sign a working agreement.

Anti-Fascist and anti-Hitler demonstrations also occurred in the principal cities during the month. In Barcelona Communists tried to interfere with members of the German colony as they were going to a German steamer to vote in the Reich elections of March 5. In Madrid large protesting groups of students and workmen caused disturbances before the Italian and German Embassies.

Considerable criticism of the government's bill regulating the religious orders developed in the Cortes early in the month. Summing up the debate, Alvaro de Albornoz, the Minister of Justice, again urged that the measure was not dictated by anti-clerical agitation, but represented an honest effort on the part of the government to carry out the provisions of the Constitution which forbid secular teaching by the religious orders and the mixing of politics with religion. For the present, however, many schools of the religious orders are necessary because of the government's inability to find secular teachers. The Ministry of Education reported that 248,338 pupils still attend Catholic schools throughout the nation—25,556 in Madrid alone.

According to an announcement in the *Official Gazette* of March 15, the government has established a Council of Cinematography under the supervision of the Ministry of Agriculture and Commerce. It will have complete charge of the distribution of motion pictures, both domestic and foreign.

While agrarian reforms are progressing slowly and the impatience of the peasants is leading to illegal land seizures, the Marquis Sanchez Dalp of Seville has made a remarkable gift of his 10,000-acre model farm on the banks of the Guadalquiver to the government, to be used by the Institute of Agrarian Reform. For forty years the Marquis has been improving his lands along scientific lines. There are fifty-six miles of road, over 200,000 olive trees and many olive oil factories.

The board of directors of the Bank of Spain, alarmed at the situation in the United States, took definite action on March 10 to prevent violent fluctuations of the peseta. This temporarily interrupted speculation, though the International Banking Corporation continued its offer to buy American currency at the rate of 10 pesetas per dollar. In general, the Spanish press was pessimistic over the American financial outlook.

The number of foreigners working in Spain was officially established late in February by an investigation under the decree compelling all foreigners working in Spain to register. The result showed that there are 18,240 foreigners engaged in gainful employment; the most numerous are the Germans with 4,645; Frenchmen come next with 2,894. Of the remainder 2,729 are Portuguese, 1,978 British, 1,294 Swiss, 1,199 Italians, 251 Cubans, 176 Americans, 70 Brazilians, 58 Mexicans, 25 Filipinos and 8 Canadians.

ITALIAN FOREIGN POLICY

Premier Mussolini again stressed the essentially peaceful character of Italian foreign policy when on March 10 the Fascist Grand Council issued a formal declaration stressing three major points. The first reiterates the declaration that "the Italian people are guided in their foreign policy by the firm intention not to disturb the peace and to collaborate in every way possible in the political, economic and moral reconstruction of Europe." The second issues a warning that unless the Italian proposals made by Dino Grandi at Geneva several months ago are accepted the disarmament conference is doomed to failure. The third refers with satisfaction to the growth of Fascism in other countries, and urges all Fascists to work resolutely for the spread of Fascism throughout the world. This propagandist note on the spread of Fascist ideals abroad marks a distinct departure from the policy pursued during the first decade of Fascist rule.

In harmony with the declaration of peaceful intentions and of collaboration, Mussolini hailed with much enthusiasm the visit of Ramsay MacDonald, and with his assistance put forward a pact which has been recognized as the Duce's peace plan. As it encountered the determined opposition of the Little Entente and found a lukewarm reception in France, it has not contributed to allay friction between France and Italy. In the meantime Italy seemed to be in doubt as to the reception that should be accorded the rise of the National Socialists to power in Germany. Even the Fascists are divided on the question whether Hitler and his Nazis are respectable and safe.

Lowering the bars of admission to the Fascist organization, which had been kept rather high until recently, has resulted in over 600,000 applications to join the party. After careful examination about 200,000 were admitted. Since public office is entirely through the ranks of the Fascist party, and since the government controls more and more of the economic life of the nation, public contracts, preferments and the like, membership in the party is obviously becoming as much a matter of economic opportunity as of patriotic and political activity. Whether the newcomers will find themselves on the same basis as the older Fascisti remains to be seen.

Giuseppe Toeplitz, managing director since 1904 of the Banca Commerciale Italiana, Italy's principal bank, on March 8 resigned, as he said, to occupy the less active position of vice president. In the meantime the directors of the bank recommended that two directors, Michelangelo Facconi and Raffali Matteoli, be appointed to act together in place of Toeplitz. Simultaneously it was announced that the twenty-five members of the board of directors would also resign on March 25 to make room for the appointment of a board of eleven. When the Banca Commerciale found itself in distress early in the economic depression Mussolini went to its rescue with the full resources of the State. The bank's securities were segregated, the government buying the industrials. The creation of a smaller board of directors is in accord with the Duce's idea to concentrate responsibility in finance as in politics.

Italian trade figures indicate a healthy condition notwithstanding the change to a more unfavorable trade balance. The larger imports were interpreted by the *Bulletin of Economic News* as indicating an increase in the imports of raw material to meet the needs of greater industrial activity.

News of Italian conditions, according to Herbert L. Matthews in a recent dispatch to *The New York Times,* is dependent upon its very able handling for foreign consumption by the Press Office of the Ministry of Foreign Affairs. The crude censorship present in many countries, it is pointed out, does not exist in Italy. On the other hand, while news is not "censored," it is "controlled" in many

ys. Not only are all direct sources news usually given to the press in ; form of "hand-outs," but corre-)ndents of the foreign press are turally dominated to a large degree the Foreign Office. Through its ticulous vigilance over all news ms on Italian affairs in the for-;n press, the government is always ll informed as to what is reported d published abroad. Unfavorable ws is apt to have a serious effect t only on the correspondent's own efulness to his paper, but upon the rrespondent's Italian informant, no itter how high up in the service he ly be. Furthermore, before news ts out of Italy, even by wireless, is subject to revision, or may be tually suppressed at the radio and egraph office. That this comes etty close to censorship is clear. ut why not?" ask the Fascisti. Ve are working out a great experi-nt with 42,000,000 lives and we do t wish to be misrepresented abroad, nce 'everything for the State; noth-; outside the State' goes for you as ll as for us."

In the Vatican State there was eat activity during March in prep-ation for the beginning of the Holy ar on April 1. In his allocution, livered before the Cardinals in the cret consistory on March 13, Pope us reviewed the work of the church d the state of Christianity through-t the world. He lamented the dis-ieting conditions in international fairs and the unhappy state of re-ion in Russia, Mexico and Spain; verely criticized King Boris of lgaria for what he termed his each of faith and solemn pledge; ged the faithful to combat Protes-it proselyting and condemned the actice of making profits out of rs, announced the appointment of : new Cardinals, confirmed the ction of the Patriarch of Armenia d the selection of the Patriarch of Maronite Church in Antioch. He stowed authority to grant indul-nces on the Legates of the Holy See with the promise of "a more abundant bestowal of the spiritual treasure of the church" to be symbolized in the opening by the Pontiff of the "holy doors of the Vatican basilica and of the other patriarchal basilicas on April 1 to inaugurate the Holy Year." The conferring of six Cardinals' red hats in the colorful ceremonies in the consistory on March 16 raised the number of the Sacred College to fifty-eight, thirty of whom are Italian and twenty-eight foreign.

PORTUGUESE CONSTITUTION

Portugal voted upon the new Constitution on March 19. Although official returns were not to be given out until April 9, the press announced that about 60 per cent of the eligible electorate voted "Yes" as against 5 per cent in the negative. The absence of so large a percentage of the voters and certain other aspects of the poll are explained by the fact that President Carmona, the dictator, met the threats of the Opposition that they would abstain from voting, by a decree providing that all persons on the eligible list who remained away would be counted as voting for the Constitution. Nevertheless, in this first opportunity in seven years to express itself, the nation manifestly endorsed the program of the government, a program all the more remarkable in these days, because its represents a dictator asking for less power. Under the new Constitution, the President is elected by the people. He chooses and dismisses his own Cabinet, which is responsible to him and not to the Legislature. The second highest officer in the State is the Prime Minister, who presides over the Cabinet. The Legislature consists of a single chamber of ninety Deputies, of whom forty-five are elected and forty-five appointed by local bodies. The franchise is exercised by the persons responsible for the family, regardless of sex. The Assembly meets for three months each year and enacts the laws which are, however, subject to review.

Like all post-war Constitutions that of Portugal stresses the economic and social life of the people, and emphasizes humanitarian ideals. In international affairs preference is to be given in all disputes to settlement by arbitration. The same principle applies to disputes between labor and capital which must be settled by consultation and arbitration. All strikes and lockouts are declared illegal, and the continuance of employment during the adjudication of a dispute is a definite obligation upon both parties.

Since the revolution in October, 1910, which overthrew Manuel II and the House of Braganza-Coburg, Portugal has been a republic. Badly misgoverned under the Constitution adopted in August, 1911, the financial mismanagement reached a point at which the escudo declined almost to the vanishing point. Amid the continued anarchy and disorder, General Oscar D. Tragoso Carmona, a cavalry officer, seized control in 1926, dissolved Parliament and with the cooperation of the Prime Minister, Dr. Antonio de Oliveira, Professor of Economics at the University of Coimbra, improved conditions slowly but so effectively that, considering her resources, Portugal is now one of the most prosperous countries in Europe.

Poland's New Foreign Policy

By FREDERIC A. OGG

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EARLY in March a reorientation of Polish foreign policy was revealed to Europe in statements by Colonel Joseph Beck, the new Foreign Minister, and Prince Radziwill, chairman of the Foreign Relations Committee of the Sejm and leader of the government bloc. For years the basis of that policy has been a firm alliance with France. While there is no apparent intention to sever this connection, leaders like Colonel Beck and Prince Radziwill believe that the world has too long treated Poland as a satellite of France in major international matters. Poland must, they insist, emancipate herself from this subordination and give the nations to understand that as one of the larger and more populous countries of Europe she is prepared to stand on her own feet and speak with her own voice. Nor is the new attitude merely a matter of principle or theory. Not only at the Disarmament Conference, where the Polish delegate openly opposed the French plan, but on other recent occasions Warsaw has taken an independent course such as even a year or two ago would have been inconceivable.

As an offset to this tendency, however, is the new-born fear of Germany and Italy, which at the end of March seemed likely to turn Warsaw to a rapprochement with the Little Entente, thus keeping the Poles within the French orbit. This most recent attitude was plainly inspired by the proposals put forth by Prime Minister MacDonald and Premier Mussolini after their meeting at Rome—plans which led both Poland and the Little Entente countries to believe that they were confronted by the menace of Italo-German hegemony in Europe which would enjoy British approval. Much significance was therefore attached to a proposed visit by Foreign Minister Beck to Prague and Belgrade

in early April. Both Poland, which owes its renascence as a State to the Treaty of Versailles, and the Little Entente nations, two of which came into being and the third of which received important territorial accretions under the treaties of St. Germain, Trianon and Rapallo, regard Premier Mussolini's revisionist program as a menace to their territorial integrity.

During the second week of March the Danzig question again became dangerous but was solved by the intervention of the League of Nations, which thereby won a triumph tending to strengthen its sorely tested authority. Trouble arose from the violation of existing agreements through the landing of additional marines at the Polish ammunition depot on the Westerplatte peninsula, within Danzig Harbor. The indignation of the German population of the city reached so high a pitch that the Senate was compelled to mobilize a citizens' guard to reinforce the activities of the local police in preventing an armed outbreak. The recent rise to power in Germany of a Nazi government which in the election campaign had consistently emphasized that the German East was especially close to its heart made the situation seem especially inflammable. The German Government, however, maintained the traditional reserved attitude of Berlin on the Danzig problem, and thus the League had a better opportunity to effect a pacific adjustment.

A settlement was reached at Geneva with unexpected promptness on March 14. The Warsaw Government, urged by Great Britain and France to swallow its pride and admit its mistake, straightforwardly confessed, through Foreign Minister Beck, in a specially convoked meeting of the League Council that the reinforcement of the guard at the munitions depot without consent of the League's High Commissioner was "not in conformity with the treaties"; and, assurance having been given by the President of the Danzig Sènate that measures would be taken to guarantee full protection for the Polish post in the Westerplatte, immediate and unconditional withdrawal of the extra troops was agreed to. Dr. von Keller, the German Council member, eased his feelings by saying a good word for everybody involved except Poland; Joseph Paul-Boncour, the French Foreign Minister, heaped encomiums on Colonel Beck for his conciliatory spirit, and the incident, which for a time caused nervousness in capitals as distant as Washington, passed into history.

To redress an unfavorable balance of trade, the Warsaw Government on March 22 prohibited the importation of certain classes of goods into Poland between March 24 and Oct. 11 except under permits from the Ministry of Commerce, to be issued only in case compensatory purchases are to be made. American goods affected include leather, motor trucks, automobile parts, tires, typewriters and rubber articles. It was pointed out that American exports to Poland total $20,000,000 annually and imports from Poland only $1,500,000.

CENTRAL EUROPEAN TENSION

Premier Benes of Czechoslovakia has characterized as "idiocy" the charges current in Hungary that his country, actuated by the philosophy of the new Little Entente pact, would, in the event of a Russo-Rumanian conflict, occupy Hungary. He also scouted the idea that a secret military agreement exists between Germany, Italy and Hungary and professed to consider such a compact, even if it existed, as unimportant. When asked during a meeting of the Parliamentary military committee on March 15 whether "in view of the uncertain situation abroad," the Czechoslovak Army was ready for action, Defense Minister Bradac replied that he had "full confidence in the army's power of resistance."

A speech by ex-Premier Bethlen of

Hungary, delivered on March 8 before the Kulturbund of Berlin, created an unfavorable impression in Czechoslovakia and other Slav, or partly Slav, countries. In the course of his address the speaker declared that Germany, Italy and Hungary had a common interest in preventing the northern and southern Slavs from uniting; he also referred scornfully to the régime of the peace treaties as a "rotting status quo" which cannot be maintained. Foreign Minister De Kanya declared on March 22 to both Parliament and foreign correspondents that the new pact of the Little Entente had been "expected for some time," and that Hungary, while not pleased by it, was not disturbed either.

Statements by leading Hungarian officials, including Finance Minister Bela Imredy, indicated early in March that unless enlarged markets were opened soon for Hungarian products the Budapest Government would be compelled to declare an all-round moratorium on foreign debts, even payment in pengoes—except possibly in the case of the League of Nations loan. Despite successes in recent by-elections, the Goemboes Cabinet has encountered grave difficulties, and doubt grows whether it will be able, by means of its projected economies and taxation, to lead the country out of its troubles. Under a moratorium of Dec. 23, 1931, American dollar bonds of the Hungarian Government, municipalities, banks and industrial corporations totaling $68,652,700 are now in default.

With galleries crowded, and with every Deputy rising to his feet to mark the solemnity of the occasion, the Yugoslav Skupshtina, on March 1, ratified the Little Entente pact drafted at Geneva during the previous month. As the Rumanian Foreign Minister Titulescu subsequently assured his own Parliament, Foreign Minister Jevtich asserted that no secret military clauses had been added to the military understanding already existing under the pact of 1921-22. The Little Entente, he further observed, has no warlike aspirations, realizing as it does not only that nothing could be gained from war but that civilization could "not outlast another world war into which any local conflict must necessarily develop."

Despite the pacific tone of such official declarations, nervousness over the possibility of war, especially with Italy, has prevailed throughout Yugoslavia in recent weeks. The budget debates in the middle of March reflected it; even the more sober section of the press has been similarly affected. Knowing that persistent effort is being made by Italian propagandists to convince the Italian people that Dalmatia is rightfully theirs, the Yugoslavs have particularly feared an attempt upon that region. While Yugoslav police in the Biograd and other Dalmatian districts in the neighborhood of Zara were confiscating, about the middle of March, large quantities of weapons said to have been smuggled from Italy with a view to securing the independence of Croatia and Dalmatia, the Premier was assuring the Belgrade Parliament that in the event of national danger the Croatians and other Opposition elements could be depended upon to prove themselves good patriots.

BULGAR-YUGOSLAV RELATIONS

Although some authorities believe that eventually Bulgaria and Yugoslavia will be joined in a single State, the unfriendly relations between the two, which have existed since the last Balkan war, have been particularly strained during the past few months. To protests lodged by the Foreign Minister of Yugoslavia against raids across the Yugoslav border by Moldavian revolutionaries from Bulgaria, Premier Muschanov replied on March 20 that measures would be taken to put an end to such activities. Other sources of friction, however, remain. At the end of February a Macedonian congress meeting at Gorna Jumaja, Bulgaria, declared open war on Yugo-

slavia—an act which brought forth a vigorous protest from the Belgrade Government. Sofia's reply was non-committal. Further ill-will has been engendered by the action of a Sofia court in letting off with a mere fine of $50 a former non-commissioned officer of the Bulgarian Army, Todor Petrov, who last October shot dead a Yugoslav subject named Vidin Mitev. Nationalist demonstrations in Sofia on the occasion of the return early in March of certain émigré Ministers in the Agrarian government of Stambulisky, who are still accused of having been in Yugoslav pay, did nothing to promote friendly relations. Since no one expects the Sofia Government, however hard it may try, to be able to restrain Macedonian raiding across the Yugoslav frontier, it is feared that the outcome may be a decree from Belgrade sealing the borders and extreme demands—even for permission to send a Yugoslav army into Bulgaria to suppress the Macedonian movement—that might provoke war.

Premier Muschanov on March 23 announced that the Bulgarian Government was planning "new and severe measures" against communism because of recently renewed Communist propaganda, especially in schools and military garrisons. The first step was to be an inquiry into the activities of the Workers' party, a Communist organization, with a view to its suppression by decree if the government's suspicions proved well founded.

At a consistory held on March 13, Pope Pius XI took occasion to deplore the recent baptism of the infant daughter of King Boris and Queen Joanna in a non-Catholic faith, but exonerated the Queen in view of her protests that she had given the proceeding neither express nor tacit consent.

GREEK COUP D'ETAT FAILS

Europe has had many dictatorships in the past dozen years, but none, before a recent episode in Greece, which lasted for so brief a period as fourteen hours. The flurry at Athens developed directly out of the Parliamentary elections of March 5. A lively three-week campaign resolved itself into a contest between a six-party government coalition led by the veteran Premier Venizelos and a three-party Opposition bloc headed by the Monarchist Panayoti Tsaldaris. Contrary to expectation, the Opposition gained a majority—135 of the 248 seats—the outcome being influenced by discontent with existing economic conditions. As many as five members of the Venizelist Cabinet went down in defeat.

As soon as the results were known, General Nicolas Plastiras, organizer of the military coup of 1922 which led to the abdication of King Constantine, proclaimed a military dictatorship. Manifestoes showered on Athens from airplanes declared that, despite two elections in five months, parliamentary rule had proved unable to produce an effective government and, alleging growing danger from communism, proclaimed a régime of martial law. Tsaldaris, General Kondylis and other leaders were placed under arrest; newspapers were forbidden to publish the election results; telephone service was suspended.

While excited crowds argued in the streets, President Zaimis hurriedly conferred with Venizelos, Tsaldaris and General Othoneos, president of the court-martial which condemned five Cabinet Ministers to death at the time of the 1922 coup. For the time being, it was agreed, a Cabinet of Generals and Admirals should be set up under General Othoneos and such a group was sworn in on March 7. Meanwhile, the Plastiras dictatorship, lacking support, even in large sections of the army, collapsed utterly, the "dictator for a day" himself agreeing on March 6 to hand over his "power" to the group about to be formed. Martial law was abolished and constitutional rule restored.

Having taken office only to tide

over the crisis, the Othoneos military Cabinet volunteered to relinquish control as soon as Tsaldaris was ready with his list of Ministers. A little time was required, and on March 10 a Tsaldaris Royalist government was sworn in, with General Maximos as Foreign Minister and General Kondylis as Minister of War. Former Premier Venizelos, who now became Opposition leader, sought from President Zaimis full amnesty for the supporters of General Plastiras, and a Royalist newspaper organ announced that the party would not seek vengeance upon those who had sought to rob it of the fruits of its victory. Strong demands were made for vigorous punishment of Plastiras as author of the coup, and even for his execution. Orders for his arrest, however, proved unavailing, since his whereabouts were unknown.

The Plight of the Baltic States

By SIDNEY HERTZBERG

LITHUANIA, Latvia and Estonia are primarily agricultural countries with generally similar economic problems. During 1932 all three suffered considerably from the effects of the world-wide depression. Their trade turnover is rapidly approaching the vanishing point and their farmers are sadly contemplating the workings of a disjointed economic system. How they are facing their adversities depends upon their own resources and ingenuity.

In the circumstances Lithuania has shown unusual powers of resistance. The principal accomplishment was the maintenance of stable money. Foreign currency reserves of the Bank of Lithuania decreased but the notes were protected by an increase in gold holdings. At the end of the year gold and foreign currency reserves totaled $6,503,000, a 22 per cent drop from 1931. This covers a note issue of approximately $10,000,000. In February, 1933, Lithuania finally created a commission to supervise foreign trade and required special import licenses for iron, coal, salt, cotton and other commodities.

Agriculture, in which more than 75 per cent of Lithuania's people are engaged, provides the basis for the nation's economy. The Lithuanian farmer was the victim of the same set of economic circumstances with which farmers all over the world have had to contend. The prices of agricultural products continued to decline. The cost of manufactured goods, on the other hand, did not drop to the same extent. The growing mania for tariffs and foreign exchange control helped to hamper the sale of farm and dairy products. Unlooked for aggravation came in the form of heavy rains. In the case of grain, they were so ruinous that exports decreased 81 per cent in 1932.

Industry was not affected as much as might have been expected from the decline of the purchasing power of the farmer. It received its share of tariff protection and, by turning from foreign products to "buy Lithuanian," the people absorbed the bulk of the meager domestic industrial output. With some exceptions, production was maintained at about the same level. The unemployed, as a result, are less than 1 per cent of the population.

The total foreign trade turnover in Lithuania in 1932 fell off 35 per cent in comparison with 1931 and 45 per cent from the 1930 figures. The value of exports in 1932 reached the lowest level since 1923—$18,900,000. But imports fell even more sharply—to $16,-

700,000—so that the previous year's unfavorable trade balance was rectified. The 1931 figures are: Imports, $27,800,000; exports, $27,300,000. Because of the fall in prices, the drop in the quantity of exports was not nearly as heavy as in value.

The trade decline was reflected in the national budget through smaller custom revenues. Governmental expenses were cut and the budget, as balanced at the end of 1932, amounted to $26,600,000. In 1931 Lithuania had a $31,500,000 budget.

In Latvia the most striking development was the precipitous decline in the total turnover of trade. Imports totaling $59,255,000 in 1930 fell to $35,415,000 in 1931, and, finally, to $16,615,000 in 1932. Exports dropped from $49,575,000 in 1930 to $32,755,000 in 1931, and to $19,275,000 in 1932. The rather cheerless bright spot here is the favorable trade balance of $2,655,000.

Despite the general decline in commodity values, prices remained comparatively high in Latvia. Because of an excessive protective tariff, costs of manufactured products were raised to such heights that the government in August appointed a price supervisor with very broad powers. The farmers likewise had to be subsidized to the extent of $7,000,000 even with—or perhaps because of—a record harvest. There seems to be no hope either for industry or for agriculture unless Latvia can make trade agreements with its big neighbors and best customers.

The Bank of Latvia, through stringent control of foreign exchange, has maintained its foreign currency reserves with only slight losses. Gold holdings increased with the result that the note issue is amply covered. Balancing the budget of about $27,000,000 was found difficult. Increased income taxes, "crisis" taxation and the issuance of notes and short-term credits were restorted to.

Estonia retained a favorable, though lower, balance of trade in 1932. Approximate figures are: Imports, $9,250,000; exports, $11,000,000. Tariff restrictions in Great Britain and Germany are regarded as the chief cause of the decline. Here again, budget estimates were not realized. For the first seven months of the 1932-33 financial year $23,114,000 was expected, but $21,290,000 was collected.

During the Autumn of 1932 the foreign currency reserves of the Bank of Estonia fell to the dangerously low figure of $500,000. This was attributed to the ineffectiveness of the bank's control over foreign exchange. After a new government was installed the note issue was contracted and gold holdings were increased to offset the loss in foreign exchange.

The Soviet-British Dispute

By EDGAR S. FURNISS
Dean of the Graduate School, Yale University; Current History Associate

THE efforts of the Soviet Government to improve the efficiency of its new-born, large-scale enterprises by forcible means has produced international repercussions through the arrest of certain British subjects who had been acting as technical advisers to the electrical industries.

The incident involved six employes of the Metropolitan-Vickers Company, a British concern doing business in Russia under a concession from the government. In connection with the installation of turbines in the new hydroelectric plants the company maintained headquarters in Moscow,

where both British and Russian citizens have been employed, and a staff in the provinces to supervise numerous installation projects. Since the company's relations with the Soviet régime had always been cordial, there was no premonition of trouble until on March 11, when agents of the Ogpu suddenly arrested the manager, the assistant manager and four other British employes of the company, together with a large number of Russian employes, and subjected both the private residences and the business offices of these individuals to thorough search. After many hours of questioning Alan Monkhouse, the manager of the corporation, and Charles Nordwall, another British official, were released on condition that they would not attempt to leave Moscow. Four other British subjects were detained by the secret police and on March 30 were still under arrest.

A storm of protest immediately arose in England. The British Foreign Office attempted to obtain details of the charges on which the arrests were based, whether the Soviet Government intended to bring the accused to trial —the Soviet secret police have recently been given power of summary execution without public hearing—and whether, in the event of trial, the accused would be given the services of British counsel. The first efforts to obtain information were unsuccessful; no definite charges were made by the Soviet Government and the four men under arrest were held incomunicado.

Because of the widespread belief in Great Britain that no safeguards exist in Russia to protect the individual from the capricious tyranny of Soviet policy, the secrecy surrounding the affair increased British popular feeling and led to heated denunciation in the House of Commons. Repeated and vigorous demands for information by the British Ambassador in Moscow finally brought permission from the Soviet Government to visit the accused in prison. While it was thus shown that they were receiving humane treatment, the other stipulations of the British Government met with scant courtesy from Soviet officials, who would not specify the reasons for the arrests nor indicate the plans for the trial and curtly declared that no interference by an outside government would be tolerated.

A communiqué issued by the secret police on the day after the arrest showed that the Soviet Government intended to exploit the incident for its dramatic possibilities in their attack upon what is called a "counter-revolutionary" plot to damage the electrical power industry of the Soviet Union. The communiqué, which admitted that the industry was being operated unsatisfactorily, blamed political enemies rather than the inefficient organization or the inherent defects of the Soviet industrial program. In London the episode was interpreted as the beginning of an anti-foreign campaign designed to divert the attention of the Russian people from the failures of the Five-Year Plan. It was recalled that the collapse of the coal industry in 1930 inspired the Soviet authorities to stage a sensational public trial in which Raymond Poincaré and Winston Churchill were among those charged with plotting against the Soviet Government. Stanley Baldwin, speaking as Acting Prime Minister, assured Parliament that the accused British citizens would not be left defenseless to be made use of for a similar political drama.

From the standpoint of future Anglo-Soviet relations, the affair is most inopportune. The trade agreement which represents the only official liaison between the two countries was due to terminate on April 16. Denounced last Summer by the British Government as repugnant to the terms of the agreements reached at Ottawa, negotiations for its renewal have since made little progress. Each country has a number of unappeased grievances against the other. The Communists were angered by the blunt manner of the British Conservative

Government last Summer and, quite apart from this, they suspect that Great Britain has been egging on Japan to encroach upon Russian interests in the Far East. The British, on the other hand, have grown impatient over their failure to obtain a satisfactory settlement of their financial claims against the Soviet Union. The Soviet authorities refuse to discuss the Czarist debt and the property losses caused by the revolution, which in the case of Great Britain as in that of the United States form an obstacle to amicable relations.

There is, moreover, the unliquidated claim arising out of the Lena Gold Fields case against the Soviet Union, a case in which a British concern suffered heavy losses owing to the cancellation of a contract by the Soviet authorities. This case was arbitrated by a special international tribunal, which returned a verdict in 1930 awarding £13,000,000 damages to the British companies. The Soviet Government promptly repudiated the authority of the arbitration court, and the British company aided by its government has spent two and a half years in fruitless effort to collect compensation. As stated in the House of Commons by Stanley Baldwin, nothing has been achieved but "a purely derisory offer of £800,000," which is regarded as an insult to British intelligence rather than as a serious attempt to arrive at a settlement.

To financial grievances is added the increasing suspicion of Conservative opinion in England that the Soviet Government has been promoting discontent among the restless subject peoples of India. All in all the chances of a renewal of trade relations between the two countries were none too bright before this latest incident injected new bitterness into negotiations. Now the British Government has announced that it will terminate the discussion of a new treaty, pending satisfactory response to its demands for the liberation of its nationals under arrest in Russia.

Meanwhile, the tension of life in Russia is increasing. The Soviet authorities have set aside the present year as an interval in the progress of their reconstruction program for the purposes of recovery from the failures of the Five-Year Plan. This is to be accomplished by resort to stern discipline, emphasized and dramatized by occasional examples of ruthless severity in the treatment of selected individuals and social groups. The arrest of officials in the electrical industry would have caused little comment had not a few of them happened to be British subjects. Actually, similar secret police activities have been going on in all branches of Soviet industry and agriculture wherever results have fallen notably behind the government's plans and predictions. Any individual holding a responsible position in a lagging Soviet enterprise now stands in some jeopardy of his life.

The Ogpu, it was announced on March 4, had arrested about seventy members of the Commissariat of Agriculture and Collectivized Farming on charges of sabotage based on the disappointing records of the farms in the Ukraine, North Caucasus and White Russia. A laconic statement of the chairman of the State Political Department on March 11 informed the public that thirty-five of these persons had been executed and forty others sentenced to eight or ten years in prison. Among those executed were M. M. Wolff, a member of the Commissariat of Agriculture, who in 1931 prepared the "second five-year plan" for agriculture; M. E. Kovarsky, a high official of the tractor department, and F. M. Konar, a former Vice Commissar of Agriculture. With the arrest of the six Britons on March 12, twenty Russian engineers, whose fate has attracted no public comment, were also seized by the secret police. Fifteen officials of the Soviet Fish Trust, an announcement on March 18 stated, had been arrested and held for trial as "class enemies." The trust has shown a loss of 1,500,000 rubles,

which is attributed to deliberate mismanagement.

Numerous arrests have also been made among railway officials. The railway managers are blamed not only for the acknowledged inefficiency of the transport system but also for the increase of thefts from the railway storehouses and freight trains, induced by the hunger and general impoverishment of the people, which, according to government figures, has caused a loss of 59,000,000 rubles during the past eleven months. The application of strong-arm methods to the agrarian population has embraced so vast a number of people that a record of individual cases becomes quite impossible. A few conspicuous examples are made of individuals sentenced to be shot or imprisoned, but the essential feature of the policy has been wholesale disruption of families by exile to distant parts of the country, involving at least 5,000 people during the past few weeks.

While these attempts to promote efficiency by terroristic methods appear to have the approval of the industrial wage earners, they have inevitably led to uneasiness among those holding responsible positions in the economic system, and especially among members of the Communist party. Parallel with the activities of the secret police among the people at large has gone a rigorous investigation of every local unit of the party, carried out by special Communist tribunals charged with the task of ferreting out and punishing disloyal or inefficient members. In one instance twenty-six party members in Leningrad were expelled and denied the right of re-entry, while many others were reprimanded for inefficiency. The general public is too completely engrossed in the grim business of obtaining the necessities of life during these times of poverty to be much affected by the punitive activities of the organs of dictatorship, but individuals who have risen above the mass to posts of authority realize that they must in their own persons pay the penalty for the failure or shortcomings of the enterprises with which they are identified.

Failure and shortcomings are inevitable within a productive system constructed so hastily and under such pressure toward expansion. Consequently, the present Soviet policy has the effect of discouraging individual initiative and leadership on the part of the more capable at a time when the country stands most in need of their services. The effect is similar in regard to the foreign experts and technical advisers who have been indispensable to the Soviet reconstruction program. Certain foreign concerns, among them a large American company, are now requiring the Soviet Government to guarantee that their agents in Russia will not be held personally responsible for any failure of the enterprises to which they are attached. This, however, is not likely to add materially to the difficulties of the Soviet Government, since financial embarrassment is forcing it to abandon the employment of foreign experts and technicians.

The Soviet officials have shown much concern lest the dispute with Great Britain interrupt the growing movement toward recognition of the Soviet Union by the United States. The change in our national administration has undoubtedly increased the probability of recognition, though the present official attitude toward Russia was formulated by a Democratic administration, namely, by Bainbridge Colby when he was Secretary of State under President Wilson. Three conditions precedent to recognition were set forth by Mr. Colby: the acknowledgment by the Soviet régime of the validity of Russia's pre-revolutionary debt to the United States, the reimbursement of American interests for properties seized by the Communist State and the cessation of subversive Communist propaganda in America and its dependencies. These stipulations, reiterated by the Harding, Coolidge and Hoover administrations, have

so far not been replaced by any later official pronouncement of our government.

The Soviet Union has never yet indicated that it would conform to these conditions as a price of recognition. The financial claims of the United States, a total of $769,000,000, of which $441,000,000 represents private property losses, have been steadfastly rejected by the Soviet Government, while the American complaint about Communist propaganda has been dismissed with the statement that the Third International, not the Soviet Government, is responsible for it. Nevertheless, without any publicly announced departure from the policies of either government, both are apparently being drawn nearer agreement. President Roosevelt during the campaign repeatedly declared his support of the policy of recognition; a similar position was taken by Alfred E. Smith in his testimony before a Senate committee on March 1. Senator Borah, long an advocate of recognition, on March 10 submitted a resolution to the Senate declaring for "the recognition of the present government of Russia."

Recognition is supported by certain American business groups in the hope of expanding their export trade to Russia, and by many prominent individuals. It is opposed chiefly by spokesmen for organized labor. Perhaps the strongest impulse toward recognition is exerted by the trend of our Soviet trade. From a high-water mark of $114,000,000 in 1930 our exports to the Soviet Union fell to $12,460,000 in 1932. (For a discussion of this subject, see the article, "Risks of Trade With Russia," on pages 159-163 of this issue.) The desire to recover this badly needed outlet for our goods has led Senator Borah, Senator Robinson, Representative Rainey, Alfred E. Smith and others recently to demand that we abandon our aloof attitude toward the Soviet Government. The anxiety lest the recent activities of the Soviet police have a bad effect upon American public opinion induced Stalin, in a letter dated March 10, to take the unprecedented step of writing to an American newspaper correspondent. "There is not the slightest ground," Stalin said, "for your fears about the security of American citizens here. The U. S. S. R. is one of the few countries in the world in which display of hate or unfriendliness toward foreigners as foreigners is prohibited by law. There has been no case, nor can there be one, of any one becoming an object of persecution because of his nationality." This declaration, obviously intended for American consumption, indicates the extent to which the Soviet authorities have been led to hope for a change in American policy.

Turkey Demands the Straits

By ROBERT L. BAKER

TURKEY was the only defeated power in the World War to offer armed resistance to the humiliating settlement which the victors sought to impose on her. Though today only a fraction of the once extensive but loosely-knit Ottoman Empire, the young republic gained at Lausanne in 1923 a peace with honor. Yet in common with her former allies she was obliged to submit to certain military clauses that restricted her sovereignty, and in particular to the creation of a demilitarized zone along the Dardanelles and Bosporus Straits.

It was only natural therefore that

when Prime Minister MacDonald recently proposed the suppression of the military clauses of the Versailles, St. Germain, Trianon and Neuilly treaties, the Turkish delegate, Jemal Husnu, promptly pointed out the omission of the Lausanne treaty and demanded that it be dealt with on the same principle as the others. (For a discussion of the British plan see the article by Dr. Gerould on pp. 197-200 of this issue.) Jemal Husnu specifically asked for the abolition of Articles III to IX of the Straits convention and of the military clauses of the Thracian convention—both conventions being parts of the Lausanne treaty. Although Turkey had no desire, he declared, to disturb the articles affecting the freedom of the Straits or the establishment of the Straits Commission, the demilitarized zone interfered with her ability to carry out her obligations to keep the Straits open.

Turkey joined Norway and Denmark in criticizing a number of features of the British plan, and Jemal Husnu objected that the allocation of 100 war planes to Turkey was not half enough. There is some justification for this contention in view of the mountainous character of Asiatic Turkey, the comparatively poor rail communications and the need of never-ending vigilance to maintain order among restless tribesmen like the Kurds.

Mustapha Kemal's determination to keep Turkey for the Turks has been renewed after he had allowed it to relax for some time. Ever since 1923 laws have been promulgated from time to time restricting the activities in which foreigners might engage. Most notable was the transfer of 1,200,000 Greeks living in Anatolia to Greece in exchange for 500,000 Moslems then living in Greece. Greeks living in European Turkey, however, were not expelled unless they had engaged in political activities. A new law principally affects foreigners in Istanbul and is aimed at providing Turks with jobs now held by aliens. Among the occupations dealt with are those of waiters, bootblacks, grocers, musicians, cabaret performers, janitors, gardeners, lawyers, engineers, chemists, dentists and doctors. Foreigners engaged in the more humble of these occupations are usually Greeks, but among the professional men are many Germans and Armenians. It is estimated that a total of 40,000 persons come within the scope of the law and will be forced to leave Istanbul. Reprisals on the part of Greece and Germany seem likely. Germany has already threatened to expel the 500 Turkish students enrolled at German universities.

Some of the reforms initiated or decreed by Mustapha Kemal clashed so sharply with century-old traditions that he recognized the need of a means to popularize them among the masses. People's Houses, or government community clubs, were the result, and on Feb. 24 the first anniversary of their foundation was celebrated throughout Turkey. Festivities were held in all the branches, and Premier Ismet Pasha broadcast a message of congratulation and encouragement.

The purpose of the People's Houses is to promote, especially among the younger generation, the ideals and reforms of the New Turkey. They are separate from the branches of the Republican People's party, which have political purposes, and confine themselves mainly to artistic, educational and social objects. Great emphasis is laid on the history of Turkey and of the Kemalist movement. The houses are already numerous, and more of them are to be established. They promise to become a valuable ally to the government in molding public opinion.

Though Turkey is attempting to oust foreign workers, she still feels the need of foreign experts in certain fields, and Americans are greatly favored for such posts. The most recent

appointment of this nature is that of Wallace Clark, senior partner of Wallace Clark & Co., engineers, of New York and Paris, to reorganize the tobacco, alcohol and salt monopolies. These monopolies supply a considerable part of the government's revenue and for that reason their efficient operation is a matter of great concern at Angora. Mr. Clark performed a similar task in Poland several years ago.

IBN SAUD QUELLS A REVOLT

News from Arabia comes only at intervals, and it usually relates to revolts by fierce tribesmen who have become restive under the restraints imposed by Ibn Saud, the Wahabite King. Recent reports are to the same effect. Ibn Saud has just put down another rising, this time by the Idrissi branch of the Asiri tribe, one of the most untamed in the peninsula. They have never been thoroughly subjugated, though Mehemet Ali and the Ottoman Turks in the last century spent much blood and money for the purpose. On one occasion the Asiri made an unsuccessful attack upon a Turkish outpost in their region, leaving a large number of dead when they retired. In the blouse of each of the tribesmen was found a personal letter from his chief addressed to the Angel Gabriel requesting that the man be instantly admitted to Paradise. In addition to this strain of fatalism in the inhabitants, the Asir country, lying between the Hejaz and the Emirate of Yemen, is well suited to guerrilla warfare, making it hard to conquer and almost impossible to hold against the will of the tribesmen.

Trouble between Ibn Saud and the Idrissi had been brewing for some time, partly because of the high-handed treatment accorded to the latter's emissaries who visited Mecca to complain of grievances and partly because of Ibn Saud's attempts to convert the tribe to the puritanical Wahabi beliefs. There is also a strong suspicion in Mecca and Jidda that Ibn Saud's powerful enemies of the Hashemite dynasty, from whom he wrested control of the Hejaz, were active in instigating both the Ibn Rifada revolt of last Summer and the late Idrissi rising. This possibility helps to account for Ibn Saud's unfavorable attitude toward the forthcoming Pan-Arab Congress, which is expected to consider the problem of tribal unity in Arabia. He is supposed, moreover, to regard the congress as likely to be pliant to the will and ambitions of the Hashemite King Faisal of Iraq.

For many centuries the principal *business of the Hejaz has been the pilgrim trade, and one of the world's* unique railroads was built shortly before the World War from Damascus to Medina to carry the pilgrims across the desert. Moslems making the pilgrimage, or Haj, to the holy cities of Islam from Palestine, Syria and Asia Minor usually take this route. Those from the East Indies, India, Egypt, Algeria, Tunis, Morocco and the Balkans usually travel by land and sea to Jidda, the seaport of Mecca, and proceed inland to their cherished goal. In order to facilitate pilgrim travel Ibn Saud has just reached an agreement with a group of Indian Moslems for the construction of a railroad from Jidda to Mecca, to be completed in 1935. He is to receive about $200,000 in advance on royalties to be received from the railroad. Announcement has also been made of the establishment of a State bank in the Hejaz, with headquarters at Jidda. The capital of $3,500,000 is to be guaranteed by former Khedive Abbas Hilmi of Egypt. This venture should be of great benefit to the Hejaz as the country is in great need of capital investment.

PALESTINE JEWS IN BOYCOTT

Jewish opinion in Palestine was already disturbed by news from Germany when in the middle of March banners bearing the Nazi swastika were raised over the German consulates in Jerusalem and Tel Aviv. The British authorities, fearful of

demonstrations, placed the consulates under police guard. On March 28, as a result of the flood of rumors concerning the persecution of Jews in Germany, an active boycott of German goods and motion pictures was initiated in Jerusalem. As early as March 20, an increase in the number of German Jewish immigrants entering Palestine was reported. Among the newcomers was Oscar Kahn, a former German State Secretary, whom the Nazis had threatened. Owing to the comparatively good economic condition of Palestine and the liberal policy of the mandate authorities toward Jewish immigration it seems likely that several thousand exiles can be offered sanctuary.

In connection with the efforts of the Jewish Agency to raise funds in the United States for furthering its work, Mr. Nathan Straus Jr. announced that the number of Jews in Palestine had grown from 55,000 in 1918 to more than 200,000 at present. Jewish colonies now number 130 and land held by Jews has increased twelvefold. The Jewish city of Tel Aviv, which is so new that it is to be found only on the most recent maps, has a population of 47,000 and is exceeded in size only by Jerusalem.

PERSIAN OFFICIAL PUNISHED

The Persian Court was formerly notorious for its corruption, but a recent event leads to the hope that public honesty is becoming the vogue in Teheran. Abdul Hussein Khan Timurtash, former Minister of the Court, whose power at one time was exceeded only by that of the Shah, was on March 18 sentenced to five years' imprisonment and an enormous fine of about $700,000 for embezzlement, swindling and extortion. Timurtash was dismissed from his post last December after holding it since the accession of Riza Shah Pahlevi. As he was tried *in camera,* the details of both charges and evidence remain unknown to the public.

An invitation has been extended by the Persian Government to the Iraqi Assyrians to settle in Persia. Special inducements, which have not as yet been made known in detail, were offered. This Iraqi minority group, numbering about 60,000, claims to be the oldest Christian sect in the world, though a similar claim is made by the Coptic church in Egypt. In December its appeal to the League of Nations for administrative autonomy under Iraq was denied, and since that time it has sought an opportunity to settle elsewhere.

EGYPTIAN LOAN RAISED

Within three days an issue of 2,500,000 Egyptian pounds by the Egyptian Government in the form of Treasury bonds bearing 4½ per cent interest was heavily, and somewhat surprisingly, oversubscribed. The total subscription reached 7,000,000 Egyptian pounds. The official press attributed this success to public confidence in the financial policy of the government. In other quarters it was held that the interest rate, the ten-year maturity and the tax-exempt feature of the loan, and also the recent lack of opportunities to make profitable commercial investments, were responsible for its success.

Since 1930 the toll collections of the Suez Canal Company have fallen approximately $10,000,000. The charge of six gold francs a net ton has been found so heavy by shippers that vessels have been diverted around the Cape. Australian wheat, East Indian sugar and rubber and Russian oil bound east of Suez are being sent by the longer but cheaper route. The shippers of countries off the gold standard, principally Great Britain, which normally furnishes 55 per cent of the canal's traffic, have found the gold franc toll an especially great handicap. Much tonnage has also been lost by the canal through the increasing use of the Panama route by American shippers trading with the Far East.

Japan Quits the League

By TYLER DENNETT

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JAPAN, after most careful deliberation, notified the League of Nations on March 27 that she would take advantage of Article I, Paragraph 3, of the Covenant to resign from the League at the end of two years. The notification, drafted by the Cabinet, was approved by the Privy Council, Prince Saionji and the Emperor. Owing to a "leak" in the Cabinet, a draft of the note was published in *Asahi*, on March 17.

The introductory paragraphs of the note recited the Japanese reasons for having joined so enthusiastically in the work of the League. The mission of the League to promote peace and order, the Japanese pointed out, seemed to coincide with the desire of Japan to establish peace and order in the Far East. Such a definition is little different from one that is not uncommon at Geneva itself—that the League's purpose is to assist the victors in the World War to keep what they won. All other meanings seem to have been eliminated from those articles which associate territorial guarantees with arbitration, judicial settlement, conciliation, the supervision of mandataries and the declarations of the preamble of the Covenant—"the acceptance of obligations not to resort to war;" "the prescription of open, just and honorable relations between nations;" "the firm establishment of the understandings of international law as the actual rule of conduct among governments"; "the maintenance of justice and scrupulous respect for all treaty obligations." The Japanese apparently regarded the preamble as polite phrases designed to wrap with an appearance of lofty purpose the Covenant's real intent to defend the status quo existing at the date of signature. Perhaps the Covenant was thus explained to Japan at Paris in 1919; certainly many other nations have regarded it that way.

"The Japanese Government have been led to realize," the note concludes, "the existence of irreconcilable divergence of views, dividing Japan and the League on policies of peace and especially as regards the fundamental principles to be followed in the establishment of a durable peace in the Far East." So it would appear. After all, the League is not a second Holy Alliance; Japan was mistaken and is now sorrowfully disillusioned. It is a mad world, this Far East. The consequence of Japan's withdrawal from such fundamental treaty engagements must almost certainly be another naval race, and an armed peace. But an armed peace is never eternal.

In London on March 17, Yosuke Matsuoka, Japanese member of the League Council, declared: "There is no cause for war between the United States and Japan. Such a thing would be an act of madness." Probably Mr. Matsuoka is right, but, if the Japanese leaders will only take the long view, they will see that Japan cannot safely premise her present policy on such an assumption. It is no less madness for Japan to suppose that she can add to her security by repudiating the agreements of the Covenant and of the Washington Conference.

Mr. Matsuoka, on his way to lay his case before President Roosevelt, ar-

rived in New York on March 22. From the ship he gave out an interview which seemed needlessly rasping: "We are not obliged to appeal to any nation," he exclaimed with a show of heat. "We are not a vassal State of America or any other country." Subsequently in New York, in an address on March 27, he categorically denied that he had ever shouted on that memorable day at Geneva: "Manchuria belongs to us by right." The denial was coupled with the accusation that American news reports from Geneva had been, generally speaking, prejudiced against Japan and unfriendly. The statement so bluntly denied was reported by the United Press on Feb. 24, and quoted in CURRENT HISTORY for April (page 9).

Following Mr. Matsuoka's denial, the United Press secured from Geneva an extract of the revised verbatim stenographic report of the Japanese envoy's interpolation. It reads: "We do not mean to defy the world at all; it is our right. It must be plain to any one who reads the history of the Far East over the past sixty years that we did not recover Manchuria from Russia to restore it to China after the great efforts we made to develop it into what it is today." The United Press correspondent understood the words "it is our right" as "it is ours by right," a mistake which was the more easy to make because of the statement contained in the sentence that Japan would not restore Manchuria to China. This writer regrets that he was led to repeat the verbal, though not very substantial, inaccuracy of the newspaper dispatch.

It might be well to recall that Article III of the Treaty of Portsmouth, between Japan and Russia, signed on Sept. 5, 1905, contained the following provision: "Japan and Russia mutually engage: * * * II. *To restore entirely and completely to the exclusive administration of China* all portions of Manchuria now in the occupation or under the control of the Japanese or Russian troops, with the exception of the territory mentioned above [the leased territory]."

Mr. Matsuoka's later statements and speeches in the United States were more conciliatory. They dwelt upon the "realities" of Chinese disorganization rather than upon the breaches of the Covenant and the Pact of Paris, for which Japan was censured at Geneva. The substance of the Japanese defense is "extenuating circumstances."

The question of the Japanese mandated islands has not yet become a matter of published official concern in Washington, but there is evidence that the question is receiving attention, as it is in Tokyo. The report from Geneva that Germany is now displaying interest in these Pacific islands, which were taken from her by the Versailles treaty, was sufficient to evoke a strong protest from the Japanese Navy Office. The legal question posed at Geneva is whether a country quitting the League, after violating the Covenant, can hold a League mandate. This question underlies the related question of whether a mandatary possesses actual sovereignty over a mandate.

The Dutch are somewhat worried over Mr. Matsuoka's suggestion at The Hague, before his departure for America, that a non-aggression pact between the Netherlands and Japan should be accompanied by an arrangement for Japan to send laborers to the Dutch East Indies. Fear is expressed that Japan may also be interested in East Indian oil fields upon which her navy is already largely dependent. Mr. Matsuoka's visit to Holland seems to have been not very soothing to Dutch nerves.

The Soviet Government on March 7 rejected the invitation to sit at Geneva with the consultative committee. Thirteen of the twenty-two nations represented on the committee do not have diplomatic relations with Russia. The decisions of the League on the Far East do not appear to have gone far enough to suit Russia. But

Moscow is still willing to join with any or all in any proposal "looking to the most rapid and equitable settlement of the conflict and the consolidation of peace in the Far East."

The consultative committee on March 15 seated Hugh R. Wilson, United States Minister to Switzerland, as the American representative, though not an actual member of the committee. Mr. Wilson's instructions place upon him definite limitations. While he may not vote, his presence will give an "informative contact." Mr. Wilson cannot bind his country, but there will be consultation, with free and frank discussion between Washington and Geneva. As its first step the committee appointed subcommittees on an embargo and on non-recognition. The discussion proceeded along the line that Manchukuo should be "isolated" from international contacts—an interesting experiment.

THE CAPTURE OF JEHOL

Advancing in four columns, with bombing planes and, so the Chinese charge, with poison gas, the Japanese on March 1 occupied Lingyuan and Chihfeng in Jehol and on the same day announced from Kailu that General Tang Yu-lin, Governor of Jehol, had telegraphed his surrender. Chinese press bureaus busily prepared predictions of what their soldiers would soon do, but the effect was merely to build up expectations that were quickly disappointed. Japanese airplanes, flying low, raked the Chinese trenches, unprotected by anti-aircraft guns. The Chinese slaughter was frightful, and was not confined to armed troops. The next day Tokyo issued a warning that Japanese airplanes would not fly south of the Great Wall unless the Chinese attacked Japanese civilians in North China. By March 3 the Japanese had advanced to within thirty-six miles of Chengteh, the capital, which was occupied a day later.

The complete collapse of the Chinese defense of Jehol was followed by the pathetic spectacle of the flight of the Chinese war lords through the Great Wall. Guards belonging to the forces of Marshal Chang Hsiao-liang at Kupei, the pass northeast of Peiping, stopped the fugitives and tried to turn them back, but the young Marshal himself remained snugly in Peiping. In sub-zero weather the Japanese had completed their campaign in ten days. General Tang's last act was to seize 240 trucks, designed for the transportation of food and munitions, to carry his personal effects into the wilderness where he might hide from the wrath of his countrymen.

General Chiang Kai-shek on March 7 interrupted his campaign against the Communists, directed from a safe retreat at Nanchang, to fly to Peiping. Two days later he ordered a "vigorous counter-offensive." Marshal Chang pleaded, so the Chinese press bureau reported, to be allowed to resign his post in Peiping in order that he might be free to go to the front. "If I fail, I won't come back alive," he declared mock-heroically. Perhaps he considered Jehol safer than the company of his own outraged countrymen. With the acceptance of his resignation on March 10, Chang retired to private life, handing over to General Chiang 150,000 poorly paid, poorly equipped, defeated troops whose loyalty was open to question. The retirement of Chang, now secluded in Shanghai, was interpreted as equivalent to the extension of the Nanking Government's control over North China.

The disappearance of Chang seemed to prompt the Chinese forces to an eleventh-hour rally, but on March 10 the Japanese announced that they had obtained possession of the Kupei pass, only sixty-five miles from Peiping. The Japanese military, now straining at the leash, desired to enter North China at Shanhaikwan and demanded a demilitarized zone south of the Great Wall. The Nanking Government, however, continued to refuse to undertake direct, open negotiations.

Since the Tientsin and Peiping areas are practically defenseless, it looked for some days as if the Japanese invasion of North China was certain but by March 20, Hallett Abend reported that the danger seemed to be passing. General Chiang Kai-shek did not take the offensive and the Japanese were temporarily content. It is not yet apparent whether the Nanking Government can long withstand the Japanese demands for a treaty recognizing Manchukuo, but it is quite possible that, if the Nanking Government should yield to Japan, it would be overthrown.

The more cynical observers see in the present situation an agreement between the Japanese and Chiang Kai-shek by which the latter has been rid of his rival, Marshal Chang Hsiao-liang, and may now pose as the savior of North China. All through the month there have been vague hints that secret negotiations were in progress between General Chiang and the Japanese. Obviously the latter cannot regard the crafty Chinese generalissimo as a very dangerous enemy; he has never offered them as much opposition as has Secretary Stimson or the Asembly of the League of Nations.

THE CHINESE BOYCOTT

The American Council of the Institute of Pacific Relations, after a close study of all available trade returns, has reported that the anti-Japanese boycott in China probably reached its peak about a year ago, and since then has been declining. The boycott, which was more effective in South China than in the North, weakened apparently as the price of Japanese goods was lowered as a result of the fall of the yen. That the boycott affected textiles to a great extent was shown by the drop in imports of Japanese cotton goods from 87,000,000 yen in 1930 to 38,000,000 in 1932. In Kwangtung Province, North China, on the contrary, there was an actual increase of Japanese imports from 87,000,000 yen in 1930 to 120,500,000 yen in 1932.

Two factors may operate to check the decline of the boycott in the near future. Japan has been using reserve stocks of raw cotton which will have to be replenished at higher cost to Japan. This will raise the selling price of finished goods in China. Furthermore, China has already served notice upon Japan that she will not renew in May the three-year tariff agreement with Japan, under which the principal Japanese purchases are now made. This notice seems to presage an increase of the Chinese tariffs. In short, the boycott cannot be made effective in China when the Japanese goods can be purchased at the lowest price, because in China, as elsewhere, "business is business." If the Chinese cannot sustain the boycott, it is still further evidence that there is not now in China a sufficiently cohesive political force to give effective cooperation to any agency of the League which may seek to assist in the reconstruction of the nation, as the Lytton Commission proposed. Worst of all, no such agency has yet been devised, nor has any plan been proposed.

THE ARMS EMBARGO

The British arms embargo against China and Japan announced by Sir John Simon during a debate in the House of Commons on Feb. 27, was ended on March 13 by Acting Prime Minister Baldwin. It had never been more than a paper embargo, since contracts already made were exempted from its operations, nor did the list include war material other than arms. The alleged reason for lifting the embargo was the failure of other governments to adopt similar decisions. "It is now clear that we cannot get an embargo agreement with other governments in the near future," explained Mr. Baldwin, "and it serves no useful purpose for this country to act alone." When asked in the House of Commons whether the government would now call the attention of China

to the superiority of British airplanes, the reply was that the Board of Trade had already attended to that.

The British embargo was resented in both Japan and China. In Tokyo a Foreign Office spokesman blustered that if the charges made against Japan at the time of the embargo debate in the Commons were made directly to Japan, "she would know how to answer." The Chinese regarded the embargo as obviously unfriendly and unneutral, since it bore unequally upon the two disputants. "As a practical measure to hasten the end of hostilities in the Far East," declared the Shanghai *Evening Post,* the embargo "is absolutely futile, and as a moral gesture it is grotesque." The Canadian Government had declared a similar embargo on March 1.

For several reasons there never was any possibility that the arms-manufacturing States would come to an agreement on the basis of the British policy. Since there is no international machinery to regulate or control an embargo, there is no way to deal with unscrupulous countries which might violate such an engagement. Even more important, there is as yet no clear common agreement as to the ethical rights and wrongs of the existing disorder in the Far East. The decision of the League Assembly appeared to place the onus on Japan, but China has not been discharged as the innocent victim of an outrage. An embargo against both disputants represented the British view, so often urged by Sir John Simon, that the Chinese must share the blame for the broken peace. An embargo against Japan alone would operate to strengthen the existing Chinese Government. When one compares the war lords of China and the war lords of Japan it is doubtful whether there is enough difference in favor of the former to warrant the support from abroad which would be represented by an embargo against Japan. Surely there is some degree of madness in Geneva if it is assumed that the existing military government in China is worthy of special favors in the way of supplies of arms. Sir John Simon's project had more merit than at first appeared. It would have left in the hands of the powers a useful weapon in that, if the Chinese Government should ever show such improvement as to warrant it, the embargo against China could be withdrawn.

PROGRESS IN MANCHUKUO

The most significant development in Manchukuo in the last month was the consolidation of the entire State railway system under the South Manchuria Railway administration. The announcement was made on March 1, the first anniversary of the founding of the Manchukuo State. The capital stock of the South Manchuria system is being increased from 404,000,000 yen ($83,224,000 at the present rate of exchange) to about 1,000,000,000 yen ($206,000,000) and a large program of new construction has been authorized.

In the contract between Manchukuo and the South Manchuria Railway, no mention was made of the Chinese Eastern Railway, owned by Soviet Russia and now jointly operated with Manchukuo. However, the day before the announcement of the new contract, Mr. Matsuoka in an interview in Paris dangled an alluring bait before the French bondholders of the Chinese Eastern. He proposed that Manchukuo give up half of her half-interest in the railway, that Russia likewise give up half, and that the resulting half-interest be transferred to the French holders of the repudiated Russian imperial bonds. At the moment there is no prospect that France will seize the bait, but it seems unlikely that the French Government will take any action that will render less likely the acknowledgement of the claims which the French bondholders have not forgotten. From Manchukuo it is reported that the visits of the representatives of French capital are being met with every form of cooperation.

CURRENT HISTORY

JUNE 1933

Tasks of World Recovery

By ROYAL MEEKER

[Appointed Commissioner of Labor Statistics by President Wilson in 1913, the author of the following article subsequently served on numerous public commissions and from 1920 to 1923 was chief of the scientific division of the International Labor Office in Geneva. He is now president of the Index Number Institute founded by Professor Irving Fisher. As in the case of all contributions to this magazine, the opinions expressed in this article are not to be regarded as necessarily those of the editors but as of value in stimulating thought on the problems which enter into the history of our times.]

THE dove of peace has proved to be more deadly than the dogs of war! In the three years of "peace," beginning with 1930, the destruction of wealth, incomes, standards of living and health, if not of life itself, has been much greater than during the four years of World War. As a consequence of this crisis and deep distress the World Monetary and Economic Conference has been summoned. Today all nations look to it, as fourteen years ago they looked to the Peace Conference, for economic and political salvation.

More is expected of the forthcoming conference because the United States for the first time is to participate upon an equal footing with the other countries. At previous international economic conferences the American representatives did not represent anything. Some believe that their presence hindered more than it helped to unsnarl the world-wide tangle. At first glance the exclusion of Russia from the conference would seem to be both unwise and unjustifiable; yet since the Soviet Union is seeking the destruction of capitalism rather than the construction of a harmonious system of capitalistic world economics, it is probably better to leave Russia out, though eventually she must be included in the world economic accord.

The Preparatory Commission of Experts which met last Summer declared that a state of economic warfare exists. "In the movement toward economic reconciliation, the armistice was signed at Lausanne; the London Conference must draft the treaty of

peace. Failure in this critical undertaking threatens a world-wide adoption of ideals of national self-sufficiency which cut athwart the lines of economic development. Such a choice would shake the whole system of international finance to its foundations, standards of living would be lowered and the social system as we know it could hardly survive." The experts prepared the agenda, which includes seven subjects arranged under two main heads in the order of importance as seen by the Preparatory Commission. These are:

(A) Financial questions: (1) Monetary and credit policy; (2) exchange difficulties; (3) the level of prices; (4) the movement of capital.

(B) Economic questions: Improved conditions of production and trade interchanges with particular attention to: (1) Tariff policy; (2) prohibitions and restrictions of importation and exportation, quotas and other barriers to trade; (3) producers' agreements.

It seems obvious that the conference should concentrate first and foremost upon money, banking and credit. The only way by which the general level of commodity prices can be quickly raised is through the speedy increase in the amount of money and credit in circulation. The reflation of domestic price levels can be brought about through an agreement to force more currency into use by the cooperative action of the central banks and the governments. Foreign trade, the importance of which has been so much overstressed during the past three years, cannot be revived merely by lowering or abolishing tariffs and other so-called trade restrictions. The impassable barrier to the revival of international trade is the depression in domestic consumption and production. There can be no revival of foreign trade without the revival of domestic trade. Both internal and external trade will revive when, and only when, debt liquidation and price deflation are stopped. The only way these evil forces can be stopped soon enough to save the whole world from ruin is by increasing the circulation of currency.

Gold standard anti-inflationists assert vehemently that the proposed inflation measures will not increase the circulation of currency, raise prices, decrease debt burdens and stimulate business, but will plunge us into irretrievable ruin by driving all gold out of circulation and destroying credit, thus magnifying deflation. In the next breath they have asserted that inflation once started cannot be controlled and will inevitably lead us down the pathway to ruin so recently traversed by Germany, Austria, Russia and other countries which discarded gold for paper standards.

Let us ignore the irreconcilable contradiction between these statements and consider the assertion that inflation cannot raise prices or help us out of this depression. The anti-inflationists cite as proof of their contentions the experience of Great Britain since she abandoned the gold standard in 1931, and of the United States in 1932, when the Federal Reserve System sought to revive drooping prices and business by heavy purchases of government securities in the open market. Regarding the British experience, they point out that the commodity price level, instead of going up as was anticipated, has actually fallen nearly 3 per cent since gold was discarded in September, 1931. During the same period the pound sterling has declined in terms of gold currencies by about 35 per cent.

The opponents of currency and price reflation fail to recognize the

significance of the movements in the prices of British commodities and exchange in relation to prices in other countries. The British commodity index rose from September to November, 1931, by more than 8 per cent. It then began to sink, but the price decline in Great Britain has been much less than in gold-standard countries. While the British commodity index has declined 2.7 per cent since September, 1931, the French commodity index has fallen 11.4 per cent—more than four times as much—and the United States commodity index has fallen 16.9 per cent—six times as much. In relation to gold-standard prices British prices have risen from 10 to 17 per cent. Furthermore, the decline of 35 per cent in the sterling exchange rate has had the effect of lowering British prices 35 per cent in gold currencies. This has stimulated the buying of British goods. Production and employment have increased in Great Britain, while they have slumped dismally in the United States and other "stable" gold-standard countries.

The failure of the Federal Reserve System to check the slump in prices and business was due to the "gold raids" of foreign countries and gold hoarding at home, which forced or frightened the Reserve Banks into discontinuing the policy of heavy purchasing of Federal securities. Examination of the statistics of prices and business during the period of open-market operations supports the reflationists and refutes their opponents. Beginning with June, 1932, the American wholesale price index began to rise and continued to rise until the open-market purchases were greatly reduced and finally stopped in September. Prices advanced more than 5 per cent in the three months. Agricultural prices rose even more sharply. The business indices also showed more than the seasonal gains through August and September. Had President Hoover acted with vigor and promptness to check the gold raids, bank runs and further deflation, it seems quite certain that the effort to revive business and prices would have been successful and the woes of the past months would have been largely avoided.

The facts go to prove that, except under abnormal conditions, increasing the currency in circulation does check falling prices and stimulate business activity. The facts also show that no nation is strong enough to combat this economic depression single handed. There must be concerted action by the leading industrial countries to carry into effect a carefully planned, aggressive campaign if the depression is to be conquered before it destroys us all.

This explains the calling of the Economic Conference and the nature of its agenda. The experts who framed the agenda declare that an effective international monetary standard must be restored as soon as possible. They favor the restoration of the gold standard under safeguards which would prevent a new break-down. They assert that each government must be left free to decide when and under what conditions it can adopt the new standard. Reginald McKenna recently expressed the views of most Englishmen when he declared that Great Britain should not go back to gold without a previous rise in commodity prices and the assurance that the gold standard would actually work to restore international trade. This can only mean a devaluation of the pound sterling. These problems of the standards and the price levels will be the major issues for the London Conference to consider and resolve.

The currencies, banking systems, :oduction organizations and trade lations of the world have been built ›on a gold basis, and it will be much ,sier to devise means for controlling .e costly vagaries of the gold stand- 'd than to adopt a silver standard or ıy other standard to which people 'e not accustomed. It may be that lver monometalism would constitute more stable standard than gold, but is practically impossible to convert ınkers and business men in the lead- g industrial countries from a gold ;ychology to a silver psychology. In ıy case the game is not worth the ındle, for it is just as possible to ›ntrol and manage the gold stand- :d, with which the business world is ımiliar, as it would be to manage a lver or wheat or paper or general ›mmodity standard with which we 'e not familiar.

The widely accepted notion that the ›ld standard functions automatically ithout human interference is absurd. he gold standard monetary system is "managed" currency just as truly ; is a paper currency. The questions › be determined are who shall man- ;e it and for what purposes. Sir Wil- ım Wiseman of Kuhn, Loeb & Co. ıs said that the single gold standard a myth: "For 200 years the world ıs been operating on a standard of ›ld plus confidence." It would be ore accurate to say we have a stand- 'd of gold plus credit which operates :cause people have confidence that ›ld or paper or bank-check dollars, ›unds, francs, and so forth, can be nverted at any time into commodi- ›s and services which they can con- me. Our so-called single gold stand- d is therefore only a gold-plated andard. A very thin layer of gold vers a vast volume of paper, mostly ecks drawn on bank deposits. Amer- ıns seldom see gold coins. About 95 per cent of all exchanges in the United States are made by check or the transfer of book credits.

The fact that the currency which circulates from hand to hand consists almost wholly of paper checks is generally understood, but the related fact that bank-deposit dollars fix the value of gold dollars is understood by few. The volume of bank deposits and the rapidity of their circulation determine and are determined by business activity and the price level. Prices, business and bank deposits are profoundly affected by the manner in which our gold standard currency is managed. Although the management has been peculiarly inept during this depression, it is feasible to "manage" a gold standard currency to serve the needs of producers and consumers just as effectively as any "managed" paper currency can serve them. In times past the volume of gold reserves determined the value or buying power of the credit based on these gold reserves. Today it is rather the volume of credit in circulation which determines the buying power of the gold reserves. The most effective way to change the buying power of the gold dollar today is to change the quantity of credit in circulation.

The hoary theory that gold is the one unchanging element in a world of change and decay is being gradually displaced by a more reasonable theory of money and prices. The wild fluctuations of the paper currencies of the war period have strengthened the notion that gold is stable in value. This is quite untrue. In terms of the 1913 gold dollar that of 1896 was worth $1.50, while the gold dollar of 1920 was worth only 45 cents. Within five years, 1915-1920, the gold dollar shrunk more than one-half. Within two years, 1920-1922, it swelled 60 per cent. The gold dollar of today is

worth $1.22 in 1913 gold dollars and about $2.93 in 1920 gold dollars. It is obvious that business cannot be stabilized with such a wildly gyrating money standard in terms of which the values of all the products of industry must be measured. It is this increase in the value of gold since the war that has driven most countries off the gold standard.

The World Economic Conference may be expected to recommend and the participating countries to ratify an agreement setting up a new international monetary system based on gold and controlled by the governments and central banks so as to raise and stabilize domestic commodity price levels, distribute gold more equitably and economize the gold supply. The economic experts are quite mistaken in their opinion that each country must be left to fix the gold content of its monetary unit. This would create anarchy in the exchanges and price levels. The gold content of the United States dollar, the British pound, the French franc vitally concerns the peoples of all countries. No nation can be allowed to do as it pleases with its monetary unit.

A little thought will make this clear. Consider the chaotic economic and political conditions created everywhere by the currency manipulation practiced by France, Italy, Austria, Poland, Russia and Germany after the war. Suppose the United States should decide to reduce the gold content of the dollar by half without consulting anybody. At once dollar exchange would drop 50 per cent, so that foreigners would be able to buy twice as many dollars with their moneys as they could before. The price level in the United States would advance somewhat, but it would come far short of doubling. Hence foreigners would find it advantageous to buy American dollars and exchange them for American goods. American production and foreign trade would be greatly stimulated to the disadvantage of all other exporting countries. This advantage would persist for a long time until the domestic price level was adjusted to the foreign exchange rates. Other countries would, of course, be driven to devalorize or inflate their currencies to offset the unfair advantage obtained by devaluation by the United States. The result would be cut-throat competition in devalorization and inflation which could end only in disaster. There must therefore be complete understanding and agreement upon the policy of raising commodity price levels and the amount of increase in each country, so as to control justly the benefits of business expansion and gold distribution.

It will be necessary to have the cooperation of governments and central banks to create and control the currency reflation so as to give business its desired stimulus and to prevent this stimulation from mounting to a high speculation fever. The stimulus must, however, be quick and powerful. It will not be difficult, I think, to get governments to ratify an agreement to inflate their currencies. It will be easy enough for them to devaluate their monetary units and to issue more credit currency either directly or through the central banks. But merely increasing the amount of bank reserves or the number of paper money units outstanding is not inflation. The anti-inflationists are correct on this point. The greatest problem of all is to get the additional money units into the hands of workers who will spend them for the goods and services they so sorely need.

How is this to be done? That is evidently what President Roosevelt and

Prime Minister MacDonald had in mind when in their joint statement of April 26 they advocated the stimulation of business through public works and loans. Private enterprise at the moment is half paralyzed and the numbness of death is creeping rapidly upward toward the economic heart and brain. Business is so far gone that bank-reserve stimulants no longer stimulate it. The only way that the paralysis of deflation can be stayed now is by vigorous government massage. Large capital expenditures for public works will put the reserve funds of banks and the government note issues into the hands of workers who will put these moneys at work buying necessities. At this time the quickest and surest way of starting the economic machine is by means of public works. Deflation is still going on at a terrific rate. The United States alone should at once undertake the expenditure of $100,000,000 to $200,000,000 a month on improving strategic highways and railroads, flood control, river and harbor improvements, slum elimination and other vitally needed public improvements. Professor James Harvey Rogers recommends public expenditures of $700,000,000 per month, but this seems extravagantly excessive. Every farm boy knows about "priming the old pump." It is not necessary to pour a pail of water into the old pump in order to get a pail of water from the well; a dipper of water is enough and, once the pump has started, all the water needed can be obtained. The expenditure on public works of $200,000,000 a month for a year would have the effect of starting up many private enterprises and increasing currency circulation many times over.

The importance of tariffs, quotas, trade restrictions and prohibitions have been much exaggerated as causes of the depression and preventives of recovery, especially in the United States. Extreme protectionists attribute the economic development and high wages in the United States to the policy of protection alone, ignoring in whole or in part the vast material and human resources which made the expansion of American industries inevitable, despite the hampering effects of tariff restrictions. Extreme free traders, on the other hand, seem to think that protective tariffs are the chief cause of the depression and that an immediate and drastic reduction of tariff duties would at once start a revival of trade and production and would banish depression.

International trade is, of course, much more important to Great Britain than to the United States. In normal times more than 90 per cent in value of American products, exclusive of services which can not be exported, are consumed at home and less than 10 per cent are exported. Granting that the portion exported, consisting largely of raw or semi-manufactured farm, mine and forest products, is of much greater importance than the mere value would indicate, it still remains true that home trade is immensely more important than foreign trade to the United States. Even if all foreign trade were cut off, we could survive quite comfortably. Foreign trade is certainly good for us and for our foreign friends, but it is absurd to talk about the need to build up foreign markets for surplus products while we build up tariff walls to keep foreigners from selling us their surplus products. Fortunately, the hoary mercantilist doctrine, that the way for a nation to become wealthy is to sell much and buy little or nothing, is on the wane.

Although the evils of trade restrictions should not be minimized, it is necessary to point out that too sudden and drastic reduction of these hampering taxes on commerce would certain-

ly injure established businesses and thus aggravate the depression. "In the long run" world consumption and production would be increased, but we cannot afford to pay the price of even a little more depression now for a somewhat enhanced production in the distant future. The most serious inhibitions to international exchange will be eliminated by the solution of the money, banking, credit, price and exchange problems. Doubtless the World Economic Conference will recommend a moderating of existing restrictions through bilateral and multilateral treaties. So long as the Republican party remained in power it would have been useless to submit such an agreement to the United States. Under President Roosevelt's leadership, however, there is hope that the policy of lowering tariffs and abolishing quotas, prohibitions and other trade restrictions will be carried out.

The economic experts manifest much concern for the re-establishment of international financing, but probably the British experts drafted this part of the report. Great Britain's prosperity has long been conditioned largely upon huge excesses of commodity imports which were balanced by invisible items, one of the most important being loans and investments abroad. Naturally, she wishes to restore her foreign trade to its pre-war importance. British trade restoration will be aided greatly by restoring opportunities to British capital for foreign investments.

The fact should not be overlooked, however, that the present slump was in considerable part induced and has been much aggravated by foolish overinvestments abroad. The mad race to finance the building of city halls and swimming pools in Germany, to "develop" virgin empires in South America and to extend foreign markets everywhere by lending bankrupt people the wherewithal to pay for the goods they "bought" was responsible in no small degree for the building up of the skyscraping structure of foreign and domestic debts which now threatens to crush the world economic system. The conference should be very chary about recommending the adoption of policies to facilitate the uncontrolled resumption of loans and investments abroad. It would be much wiser to recommend policies for controlling and regulating saving, investment and lending at home and abroad so as to prevent detrimental saving and the piling up of huge investments in plants and equipment, thus throwing the production-distribution-consumption organization out of balance and making inevitable a crash, depression and readjustment such as we are now experiencing.

The conference will have difficulty in agreeing upon a recommendation for organizing and controlling production. American opinion in general is still set against combinations in restraint of trade, especially international cartels. The delegates to the conference may agree to recommend that producers of basic commodities organize for the purpose of restricting and controlling production for the purpose of preventing gluts of commodities and the consequent collapse of market prices, but there seems to be little chance that such an agreement would be ratified by the United States. There is still less chance that the agreement, if ratified, could be operated effectively.

The World Economic Conference promises important results, but we should not expect it to work miracles. People should not expect it to usher in the millennium, or even another new era of eternal prosperity. The most that should be expected is a

modest beginning in the great work of promoting better understanding and better economic relations among the peoples of the world. It cannot be too strongly emphasized that domestic economy is much more important than international economy. No nation can attain economic salvation merely by the removal of tariff barriers or by the stabilization of the international exchanges. By far the greatest contribution the United States can make to world recovery and world stability is to recover and stabilize herself.

The United States is the biggest, the wealthiest and the most deflated country in the world. The restoration of our consumption, trade and production depends primarily upon the American people themselves and not upon the increase of foreign trade and the adjustment of foreign exchanges. It is absurd to ascribe to our foreign trade, which constitutes less than 6 per cent in value of our total national income in goods and services, the magical power to make us rich or poor. Foreign trade is important but it is less than one-sixteenth as important as our domestic trade. The way to restore prosperity is to restore our home industries and our home markets. By doing that we will contribute vastly more toward world recovery than by aiming first at the restoration of our export and import trade. Even Great Britain, which is much more dependent than the United States upon foreign trade, has a much larger stake in her home market than she has abroad. Of course the improvement of international economic conditions will improve internal conditions, but, since internal trade and consumption are of such preponderating value, it would seem axiomatic that attention should be given primarily to reviving home consumption and production so as to create the buying power which can purchase foreign goods. The first requisite of world recovery is internal rehabilitation. A complete revision and stabilization of domestic money-banking-credit systems will start each country and all countries toward recovery.

The Seeds of Europe's Next War

I—Franco-Italian Rivalry

By B. Z. GOLDBERG

[The author of the following article is a close student of European diplomacy and is a special writer on international affairs for the *Brooklyn Daily Eagle*.]

THE immediate danger to the peace of Europe lies somewhere between Rome and the implacable Balkans, for Italy has dared to challenge French hegemony. Germany, despite all her potential might and menace, is but the background to the impending, possibly final, struggle between Caesar and Gaul. The misunderstanding and hostility between the two nations—France and Italy—are deep-seated; they spring from emotional as well as political causes, but the total result promises to be war.

France still finds it difficult to see in Italy an adversary worthy of the name. She has not forgotten the adage of Metternich that Italy is not a nation but a geographical expression. Nor can she forget how Italy rose to nationhood. Since Napoleon III concluded the hasty armistice at Villafranca, France has been trying to curb Italian aspirations. In such a policy Italy finds grounds for deep resentment, to which the division of spoils at Versailles has only added. Before Italy entered the war she was promised in case of victory a goodly portion of the German colonies in Africa and valuable land along the Adriatic. But when victory came, France helped herself to 253,000 square miles of territory, with 6,466,000 inhabitants, while Great Britain obtained 989,000 square miles, with a population of 9,323,000. Against this, Italy's share was meager indeed—23,726 square miles, with 1,672,000 inhabitants. Dalmatia, the most important territory promised, was denied her. For Fiume she has to thank her own d'Annunzio, not her allies in war.

What rankles even more is the French refusal to recognize Italy's contribution to the common victory. Italy's declaration of neutrality in the beginning enabled France to concentrate all her forces against the Germans. Later Italy prevented the Austro-Hungarian Army from fighting in France. Finally, she forced the Austro-Hungarians out of the war a week before the armistice was signed. All this cost her more than 750,000 lives, thrice as many wounded, a war bill of $12,413,000,000 and damages of $2,710,000,000 to her northeast provinces. For such a price she certainly was entitled to gratitude from France; instead she received disdain. To the French she remained the old Italy, "the vaguely prehistoric Italy of museums and libraries," which Mussolini described to the Italian Senate in November, 1922. But, as he continued, "the Italy of today is not living on her past like a parasite * * * but intends to claim with dignity all her rights, and intends, also with dignity, to defend all her interests."

In both rights and interests Italy

The Adriatic Littoral

stands today opposed to France. She insists upon her right to naval parity with France. Her national pride demands it. Mussolini has promised it to the Italian people. But once this claim is admitted, it is doubtful that the country would make use of it. Since Italy could not bear the financial strain of building up to the strength of France, Mussolini would rather force France to reduce to the strength of Italy. That is the motive behind his persistent declarations for general disarmament.

France, however, refuses to admit Italy even to a theoretical equality. Being the second largest empire, she has needs, naturally far greater than Italy's. France has to protect and police Pacific possessions, Atlantic and North Sea coasts and Mediterranean lands. Italy has no vital interests beyond the Mediterranean. Should France concede the Italian claim to parity, she would deprive herself of the power to safeguard her communications in that area, for Italy would always be able to concentrate her forces there and cut France off from her African colonies with their huge reserves of man power and raw materials.

As long ago as the Washington conference of 1921 France and Italy were at variance on the question of relative naval strength. Italy, demanding tonnage equality with France, gained her point so far as battleships were concerned. At the London Naval Conference in 1930 she again put forth her claim and refused to consider any compromise. France was unwilling to concede her equality in every class of tonnage, and neither country signed the treaty. Piqued at this failure, Mussolini proclaimed that he would build ship for ship, ton for ton, as many war vessels as France built. And since both countries were free to build as many ships as they wished, provided they were not capital ships, the race began.

Despite growing deficits in the Italian budget and a steadily dwindling national income, Mussolini did as he threatened. In the construction of cruisers he soon outstripped France, while the latter's superiority in destroyer and submarine tonnage is being reduced steadily. The French 10,000-ton cruisers have been matched ship for ship, equal in armament but greater in speed. To offset the French superdestroyers, the Italians have designed the famous "Black Band" cruisers, the fastest ships of their size afloat, well able to overtake and cut down the largest French destroyers. To match them, France has designed another cruiser, larger and better armed. France's war vessels of all types have increased from 219 in 1925 to 266 in 1932, but those of Italy have increased in the same period from 260 to 305.

Since the London conference France and Italy have repeatedly, but unavailingly, attempted to reach an agreement on this issue of naval parity. The French plan of April,

1932, for naval equality in the Mediterranean was flatly rejected by Mussolini. In an emergency France could, he argued, quickly concentrate her Atlantic and North Sea fleets in the Mediterranean and assemble new cruisers in her southern ports. The Italian fleet would thus be outnumbered and outranged with little difficulty or delay. Last December, Norman H. Davis endeavored to bring the two countries together, but the fall of the Herriot government put an end to the negotiations.

In her "interests" Italy is also opposed to France. Here the conflict reduces itself to the problem of the status quo, the key to the peace of Europe. France is clinging desperately to that peace. It is a question of life and death for her. She now has all that she can hope to obtain—her traditional foe reduced to a miserable entity; her supremacy insured by a chain of States that owe their existence to Versailles; her zone of influence extended through Central Europe from the Baltic to the Adriatic; and 1,500,000 well-trained men ready for action at a moment's notice.

Italy, on the other hand, is bent upon treaty revision. She has nothing to gain from the status quo. To accept it as a final arrangement is to yield to French hegemony. Every clause removed from the treaty is another blow to French supremacy, another step ahead for Italy. Territorial readjustment would give Italy the chance to present a bill for her work in the World War.

Mussolini's recent four-power plan, providing for revision to be worked out within the League of Nations, is the natural development of the stand he has maintained for many years. In an address before the Italian Senate in 1928 he advocated treaty revision, and today he says the world must choose between revision and war. This he states as a fact, not as a threat.

Italy's revisionist leanings, despite her participation in the peace of Versailles, make her the logical leader of the defeated countries, smarting under the whip of that treaty. Germany, Austria, Hungary, Bulgaria, all have revision as their chief objective, and they hope to achieve it through cooperation with Italy. They are all clamoring for release from burdensome obligations, for lands that can be restored only at the expense of Poland, Czechoslovakia, Rumania and Yugoslavia. Thus, in opposition to the French camp, there looms the revival of the Triple Alliance of pre-war days with all the danger it implies.

Wickham Steed's revelation last November of the secret formation of such an alliance inevitably led to the reinforcement of the Little Entente. The Versailles treaty had already suffered two deadly blows—the virtual end of reparations at the Lausanne Conference in July, 1932, and the admission of Germany to equality of status at the Geneva Arms Conference in December. The third blow, it was argued, would certainly be directed at the territorial provisions—a matter of life and death for the Little Entente nations. This explains the speed with which their Foreign Ministers met in Belgrade on Dec. 16, 1932, and with which, in less than two days, they practically effected a federation of the three countries. This was made permanent through a pact signed at Geneva on Feb. 16. (For the full text see CURRENT HISTORY for May, pages 200-201.) The Little Entente thus became a unified power of 50,000,000 people, bent upon maintaining the status quo and opposing any attempt at revision. Speaking in Kaschau, late in February, Dr. Milan Hodza, the Czechoslovak Minister of

Agriculture, said: "The Little Entente will not permit its territory to be changed by so much as an inch for any price in the world."

Such statements have been reiterated with doubled force since the announcement in March of Mussolini's four-power plan. Discussing it in the Yugoslav Parliament on March 30, Foreign Minister Jevtitch said: "The Little Entente is firmly resolved to maintain by all possible means all the territories it won." In the Czechoslovak Parliament on April 25, Foreign Minister Eduard Benes stated emphatically that no change, however slight, could be effected except by a voluntary agreement of the States concerned, concluded in a peaceful atmosphere after years of cooperation, and only then provided there were adequate compensation. Under present conditions, he said, Czechoslovak territory could be won only by war.

Fear lest France should acquiesce in the four-power plan led Nicolas Titulescu, as representative of the Little Entente countries, to protest against it both in Paris and in London. The tension was relieved considerably when Premier Daladier made it clear that France would not join any directorate of four powers to revise the present frontiers. Any new international treaty, he said, must be open to all European nations and revision must be by unanimous consent. Mussolini's plan, instead of allaying the friction between France and Italy, has sharpened the division and drawn France, Poland and the Little Entente closer together.

France and Italy, however, have several points in common in their attitude toward Germany. Until recently Italy has championed the German cause largely as a check upon France. If Germany paid no reparations, France would be just that much weaker financially. If Germany were allowed equality of status in arms, France would be forced to reduce her armaments. But when Germany's imperialist ambitions are concerned, Italy is not so enthusiastic. She has no more desire than has France to see a regenerated, dominating Germany. Nor would Italy countenance Austro-German union. That would bring the Germans to the one frontier that Mussolini is not eager to revise —the Brenner Pass and the South Tyrol, where 200,000 Germans are now under Italian rule. Austro-German union also would project the German economic machine into the heart of the Balkans, where Italy is guarding her own economic future.

As a check on German expansion in Central Europe, Italy is backing the Dollfuss régime in Austria and the Fascist party led by Prince Ernst Ruediger von Stahremberg. This party is supporting the tradition of a great, independent Austrian State, against the *Anschluss* ambitions of the Hitlerites. A wedge between Italy and Germany on the one hand and between France and the Little Entente on the other, Austria is today at the mercy of France, Germany and Italy, each of whom is trying to be the controlling influence there. The country is actually involved in an international secret war, with its parties fighting not for internal political purposes, but for the aims of the three interested powers. Germany, growing more and more defiant of the status quo, is determined to bring Austria into the Reich. France would draw her into the Little Entente. Italy, opposed to both plans, would alter the treaties so as to make Austria a self-contained economic unit, capable of independent political life.

Against the Little Entente, Italy is playing off Hungary, the one thorn

in its side. Italy has no interest in Hungary's misfortunes except as an example of the horrors of Versailles. Here is a country that was reduced from 125,430 to 35,901 square miles and its population from 20,840,000 to about 6,200,000, as well as being robbed of its forests, iron ore, salt mines, gas and oil, most of its water power and half of its manufacturing establishments. To make matters worse, Hungary was saddled with almost the whole debt of the old Habsburg empire. As an advocate of Hungary's claims for revision, Italy is fighting not only for changes in the status quo but also against the French bulwark in Central Europe.

Bulgaria, as another victim of Versailles, appeals to the Italian sympathies. But Italy is championing the Bulgarian cause largely to spite Yugoslavia. Here Franco-Italian rivalry in all its various aspects comes to a head. A strong Yugoslavia, backed by France, is a check on Italian expansion in the Balkans. A weak Yugoslavia, or a completely disintegrated one, would be in the interest of the Italian people. "We must expand or explode," Mussolini says. "Only toward the East can our pacific expansion occur. This explains our friendships and our alliances."

In the final analysis, Italy's grievances against France resolve themselves into the need for territorial expansion. Italy is the classic case of a country with too many mouths to feed and too little food to feed them. Land hunger is the driving force of her foreign policy. A population of 42,000,000, increasing at the rate of 440,000 a year, is confined to an area of only 119,744 square miles, little more than half that of France. Moreover, Italy is comparatively poor in natural resources. Coal, iron, oil and other raw materials essential to extensive industrialization are almost entirely lacking. Her soil is thin; her rainfall unevenly distributed. Much of the land is too mountainous for cultivation. Thousands of square miles are swampy and semi-arid. Even when they are reclaimed, they will not relieve the poverty of the country to any extent. Some broader form of expansion is imperative. Formerly this took the shape of emigration. Over 100,000 Italians entered the United States every year. An equal number went to South America. Many settled in Canada and Australia. Others found seasonal employment in France and Germany. Now restrictive legislation and the depression have curbed emigration.

Nevertheless, the over-population of Italy is being increased artificially by the "battle of natality," Mussolini's campaign for a higher birth rate. He eagerly awaits the day when his people will number 60,000,000, with 5,000,000 well-trained men in arms. Then will begin the renaissance of the glory that was Rome. Yet the Italian Premier well knows that this dream of a great colonial empire is a quixotic ambition in present circumstances. Expansion in the Mediterranean is blocked not only by France but also by Great Britain. The British, because of their communications with India and the East, will tolerate no disturbance in the balance of power.

In view of the importance of Britain's friendship to Italy, Mussolini is soft-pedaling his colonial aspirations. He has abandoned his claims to Abyssinia and renounced all ambitions in Algeria and Morocco. Tangier has become simply a matter of prestige. And the only reason that there is still a Tunis question is that France, ignoring her guarantee to respect Italian nationality, has been carrying on a campaign to denationalize the 89,000 Italians living there.

This leaves the Balkans as the sole outlet for Italian expansion. Italy is separated from the Balkan countries only by the Adriatic; geographically, the two peninsulas are one and their economic interests are complementary. The Balkans are the natural market for Italy's increasing industrial production and the source of many of the raw materials and foodstuffs she must import. Even today, despite the economic nationalism of Central and Southeastern Europe, Italy's trade with Yugoslavia and the other Balkan countries stands near the top of her exports and imports.

The rich Italian provinces in the north have always looked to the Danube. All Italy cherishes the tradition of Venetian glory in the east. Desire to regain that leadership was a powerful motive in Italy's decision to enter the World War on the side of the Allies. Victory over the Central Powers, she reasoned, would enable her to control all the outlets on the Adriatic and assert her political and economic influence over the weaklings she expected to replace the old Habsburg enemy. Instead, she was confronted with a united Yugoslavia, under the domination of France and the dictatorship of Serbia. The traditional Habsburg enemy had simply been reincarnated.

From the days of the peace treaties feeling between these Adriatic nations has run high. It reached the danger point in 1926, when France concluded her military alliance with Yugoslavia. Emboldened by this alliance, Yugoslavia has become a real menace in the eyes of Italy, threatening her Adriatic coast and blocking her communications to the interior of the Balkans. From Venice to Brindisi the Italian seaboard is low and unprotected, while along the opposite shore of the Adriatic a fringe of islands encloses a string of deep-water harbors—ideal lurking places for submarines and destroyers. Directly across from Brindisi is the harbor of Cattaro, where, behind the defense of narrow, tortuous channels, a whole fleet can anchor.

Italy's predominance in the northern Adriatic is secured by her naval base at Pola and by Venice and Trieste. There remains, however, the problem of the Strait of Otranto. If it were mined and held by submarines, Italy's Adriatic fleet would be seriously incapacitated. This explains her anxiety to maintain an independent Albania. There Italy's interest is negative but real. She does not want any hostile or potentially hostile power installed in that strategic stronghold overlooking the strait. That is why she opposed Austro-Hungarian penetration into Albania before the war and would oppose Yugoslav intervention there today.

Italy's policy in Albania is governed by the treaty signed by Great Britain, France, Italy and Japan in 1921. This treaty recognized Italy's special interest in that country and gave her the right to intervene against any attempt by a third power to threaten its independence or territorial integrity. The Italian position was further strengthened by the Treaty of Tirana in 1926, which has since expired, and the twenty-year military alliance of 1927. Early in January Yugoslavia announced that Italy was negotiating for a customs union with Albania. After protests from Paris and Belgrade, Italy vigorously denied having entertained any such plan.

Italy's position in Albania is a source of constant fear to Yugoslavia. It was with the latter's aid that King Zog engineered the move that put him into power, and when he fled after the attempt to assassinate him in

June, 1924, it was to Yugoslavia. The following month he returned at the head of forces equipped by Yugoslavia and drove out Fan Noli, the pro-Italian President. Through King Zog the Yugoslavs expected to enjoy paramount influence, but he turned to Italy and concluded the Treaty of Tirana. Incensed by this betrayal, the Yugoslavs fomented a revolt among the tribes about Scutari, which was put down with blood and iron, and in May, 1927, diplomatic relations between the two countries were severed.

Albania is the ideal starting point for an Italian invasion of Yugoslavia, who believes that the Albanian roads which Italian engineers are building with the aid of Italian money are intended to facilitate military operations against her. She is violently opposed to Italy's economic penetration of Albania, because it represents the beginning of Italian economic expansion in the Balkans. Through control of the Albanian National Bank and the Albanian Development Company, which has the sole right to build roads and construct railways, Italy has made Albania and her mineral wealth a private economic reserve. Italy also has the right to organize the Albanian army, construct an Albanian navy and build harbors, thereby not only securing control of new naval bases, which would prove invaluable in bottling up the Yugoslav navy in case of war, but also establishing in Albania a base which threatens Yugoslavia.

Today Albania is a loaded revolver aimed at the heart of Yugoslavia. By pulling the trigger, Italy could precipitate war with France. But Italy is not yet ready. On the contrary, she maintains, Yugoslavia is deliberately trying to cause trouble in the hope of cementing her national unity. In case of war with Italy, Croatia, the main cause of the dissension by which Yugoslavia is now torn, would be forced to bear the brunt and suffer any possible territorial losses. The Yugoslavs, however, reiterate their determination to do all they can to preserve peace with Italy. But Italy, they claim, is conspiring with Germany, Hungary and Bulgaria to break up their State. Thus the tension between the two countries increases. Italy cannot feel at ease while Yugoslavia holds the opposite shore of the Adriatic. Yugoslavia cannot feel secure while Italy sways Albania.

Meanwhile the press on both sides adds to the ill-feeling. Insignificant incidents, like the destruction of the Venetian lions in Trau last December, call forth such volleys of vituperation that it seems as if the two nations were already at war. The Italian press surpasses that of Yugoslavia in abusive cries for revenge. But the Yugoslav newspapers are not neglecting their super-patriotic duties, while a considerable portion of the French press is also helping to create much bad blood.

The one great force for peace in Europe today is Great Britain. By retaining the friendship of Italy, Britain may put a check on the splitting of Europe into two hostile camps. Working together, the two countries may halt the march to Armageddon. But one must not forget that there are likewise two opposing camps in Britain. While liberal, forward-looking minds are pressing hard for the cooperation of France with Germany and Italy, conservative Britain, which influences the mass of public opinion, is strongly opposed to Mussolini's plan for revision. Should the latter view prevail, Britain would be forced to throw her support into the French camp, instead of acting as moderator.

Mussolini has been playing with war to bring France to terms. But one

can never tell when such play will end in disaster. And war at the present time would be just as fatal to the Fascist régime as it would be to French hegemony. We have yet to see whether reason or passion will decide the modern version of the ancient conflict between Caesar and Gaul.

II—The Polish-German Dispute

By SHEPARD STONE

[The author of the following article has recently returned from over three years' residence in Germany, where he made an intensive study of Polish-German relations.]

ON April 2, in the city of Katowice in Polish Upper Silesia, Chancellor Adolf Hitler was burned in effigy because of outrages inflicted by indiscriminate Nazis upon Polish nationals in Germany. Immediately the Foreign Offices of both countries intimated that reprisals might be invoked by this latest of a long series of episodes which have marred the relations of Poland and Germany since the World War. Nevertheless, Poles in Germany continued to suffer injustices, while in Poland anti-German demonstrations and boycotts prompted Count von Moltke, the German Minister, on April 12 to protest to the Polish Foreign Office for the fourth time within two weeks. Only a month earlier the Council of the League of Nations had successfully settled a dispute between Poland and Danzig over the arbitrary landing of additional troops on the Westerplatte in the harbor of the Free City. Incidents such as these served to heighten the vigilance which for over a decade has never been relaxed on either side of the Polish-German frontier.

Though that frontier has long been recognized as one of the danger spots of Europe, the rise of the National Socialists to power in Germany has caused statesmen to fear that the unsettled issues between the Reich and Poland might lead to another European war. It was partly that fear which sent Ramsay MacDonald scurrying to Geneva and then to Rome in March; it was that fear which inspired the proposed four-power pact with its suggestion of treaty revision. At the very mention of revision in Rome, Count Potocki, the newly appointed Polish Ambassador to Italy, resigned because his country opposes all thought of a redrawing of her frontiers. Nevertheless, unless these frontiers are adjusted Germany's demands will continue to menace the peace and stability of Europe.

The Treaty of Versailles, like most peace settlements, was dictated by the victors. Force and not justice prevailed. In German eyes, among the treaty's most humiliating provisions was the mutilation of the Reich in the east. East Prussia was isolated from the Reich; Danzig was completely detached from its sovereignty; the great agricultural district of Posen was returned to the resurrected Polish State, and, after a plebiscite, Upper Silesia was partitioned. Poland acclaimed this solution as equitable; Germany attacked it as unendurable.

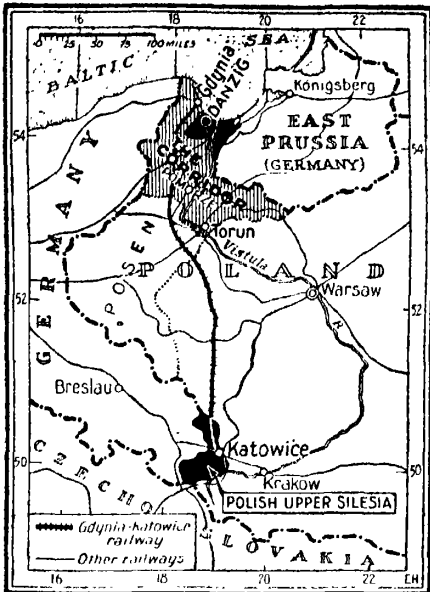
To most people the issue between Germany and Poland is considered to be only the problem of the Corridor—that strip of land which separates East Prussia from the Reich—but to this must be added German resentment

over the plight of Danzig and Upper Silesia, as well as the irritations arising from the treatment of the minorities in both Poland and Germany. The entire dispute is only another phase of the thousand-year struggle between Teuton and Slav for possession of the territory between the Oder and the Vistula, especially the land west of the Vistula—the present Polish province of Pomorze. The district has no great economic value in itself, but it provides Poland with an outlet to the sea and Germany with land that is essential to her territorial unity.

When, at the Paris conference, the Allies decided to separate East Prussia from the Reich by establishing a corridor which would give Poland access to the sea they were far more interested in weakening Germany than in fulfilling Poland's historic claims to the region. Since, in the final decision, French military motives determined the existence of the Corridor, it is easy to understand why there was never real consideration of holding a plebiscite in the Corridor—a plebiscite which the Germans maintain would, in 1919, have shown a German majority.

Although there is no exact delimitation of what Germany understands to be the Corridor, it is approximately those parts of the former German provinces of West Prussia and Posen, extending from Bromberg (renamed Bydgoszcz) to the Baltic, which now belong to Poland. In extent about equal to Connecticut and Rhode Island combined—approximately 6,000 square miles—the region is agricultural, except for the new port of Gdynia. Today the population is overwhelmingly Polish. According to a Polish census in December, 1931, there were 1,086,259 people living in the Corridor, of whom 976,696 were Polish and 109,696 were German. But it must be remembered that since 1919 hundreds of thousands of Germans have migrated to the Reich or to other countries. In fourteen years the Corridor has been almost completely Polonized. Economic pressure, school regulations and expropriation laws have accomplished their purpose. Bromberg, Thorn and Dirschau are Polish cities whose architectural outlines alone record the material progress fostered by German rulers from the time of Frederick the Great to the World War.

The existence of the Corridor not only isolates East Prussia but also deprives Germany of territorial unity and an uninterrupted line of communications with the Baltic States and Russia. To Poland this is unimportant compared with her own need for an outlet to the world's seaways. Moreover, it is contended that Germany possesses many ports and an extended coastline; Poland rules a strip only forty-seven miles long with but two ports. East Prussia controls its own port and enjoys, in the estimation of Poland, adequate rail facilities across the Corridor. Would it be just to deprive over 32,000,000 Poles from direct access to the sea in order to reunite 2,500,000 East Prussians with their fellow-Germans? Poles have only one answer to this question, for they are convinced that the return of the Corridor to Germany would seal the fate of their republic.

Germans, on the other hand, deny these conclusions emphatically, maintaining that unification of the Reich, through the return of the Corridor, would not interfere with Poland's free access to the sea, since Germany would be willing to give Poland all the rights and guarantees necessary for the healthy economic and political life of the resurrected State. In German opinion, such a solution would pave the way for cooperation between the

The Polish Corridor

two countries. Yet the problem remains unsolved, so that today Polish soldiers are massed in the Corridor and along the boundaries of East Prussia, prepared for any eventuality, while in the eastern sections of Germany defensive military measures are in constant preparation.

International amity is further endangered by the peculiar position of the Free City of Danzig. Almost daily, incidents contribute to the present hazardous situation at the mouth of the Vistula. Danzig's attempt to preserve its German character conflicts with the Polish desire to limit the rights of the Free City. In its rôle as an eastern outpost of German culture, Danzig prevents Poles from attaining citizenship within its jurisdiction, since if Danzig were to let down the barriers it would undoubtedly be overwhelmed by Polish immigrants. In the meantime, in order to force Danzig to compromise on political issues, Poland goes on developing Gdynia, the port which she has proudly created under her own flag during the past decade.

Although the belief is current in Danzig and Germany, and is occasionally expressed in unofficial Polish circles, there is no real evidence that Poland wishes to annex the old Hanse city. Poland, however, does want to make Danzig an autonomous province. Today the status of the Free City in international law is not clear. Nominally a State, Danzig does not possess many of the fundamental attributes of a sovereign nation; while under the protection of the League of Nations, the Free City's foreign affairs and economic fate are in the hands of Poland. Neither the decisions of the Permanent Court of International Justice nor of the Council of the League of Nations have satisfactorily clarified Danzig's legal position.

The Poles conceive of a Free City which will represent exclusively the interests of Poland. They hope that the Danzig of future generations, in contrast to that of the present, will not feel so closely bound to the Reich and that a dispassionate attitude toward economic realities will make the inhabitants of the Free City eager to cooperate in the progressive development of the new Poland. But this hope seems a little too sanguine when one recalls the sentiments of the post-war generation of Germans to which the Danzigers belong. To the German youth the Treaty of Versailles—especially the stipulations concerning the Corridor and Danzig—is the epitome of degradation.

Ever since a stevedores' strike in Danzig delayed the transportation of munitions to the Polish Army during the critical days of the Russian-Polish War in 1920, the Poles have been convinced that Danzig cannot be relied upon to act in the best interests of Poland. So Gdynia was conceived; an unimpressive collection of huts about

ten miles north of the Hanseatic port has given way to a modern city with a population of 45,000. French capital, Danish engineering genius and Polish enthusiasm have created a symbol of the new Poland. Not only has a new port been constructed, but on March 1, 1933, a new railway line from Kattowice to Gdynia was opened for the transportation of coal and other products of the mines and factories of Polish Upper Silesia to the Baltic Sea. The ingenious construction of the line parallel to the German boundary suggests its strategic value in the event of war with the neighbor on the west.

No longer does the beautiful and proud city of Danzig dominate the economic life of Poland's Baltic coast. Although Danzig's shipping trade has increased enormously since the war to 8,330,505 tons in 1931, the 5,300,115 tons shipped through Gdynia in 1931 was an amazing total considering the newness of the port. Trade statistics for 1932 proved the effectiveness of Poland's new weapon against Danzig. Tonnage through Gdynia decreased only 75,000 tons compared with the previous year, but during the same period goods passing through Danzig fell 2,824,000 tons below the 1931 figure. These figures substantiated Danzig's fears; Poland's face is turned now toward the port which she has created.

Inexpensive bulky products are being shipped through Danzig, while higher priced goods are sent to Gdynia; to a large extent Danzig has become a mere transit harbor. Since many Polish manufacturers and importers have direct business relations with foreign firms, Danzig commercial houses have lost ground in that profitable field. But as long as a Polish State exists in Europe, cooperation with it is an economic necessity for Danzig. Reunion with Germany, without other treaty changes, would be economic suicide for the Free City. Even ardent Hitlerites in Danzig who expect to form the new government after the coming election in the Free City will be unable to alter a fact based upon inexorable geographic conditions and economic laws. The Danzig problem cannot be solved until the Corridor question has been settled to the mutual satisfaction of both Germany and Poland.

One of the regions given to Poland at the end of the war—the province of Posen—plays no part in Germany's dissatisfaction with her eastern boundaries. Before the war Posen was one of the most fertile agricultural sections of Germany, but at the end of the war the Poles easily took possession of the province and its capital city. In 1919 the district was recognized as Polish even by the German negotiators. According to German statistics, the region in 1910 had a population of 1,946,461, of whom 1,263,346 were Polish-speaking. Since 1919, when the province was detached from Germany and given to Poland, a vast number of Germans have migrated from the province. Pre-war experiences have illustrated to Germans that Posen was and would be a foreign element in Germany, and Poland's right to this district has not been seriously disputed by the organs of German revisionist propaganda.

A wholly different situation exists in Upper Silesia, into which the Polish revolutionary movement spread after gaining great impetus in Posen at the end of 1918. Here, however, it was not so successful. Although the inhabitants of this region speak a so-called "water-Polish dialect" and are Catholic in religion, they had not been under Polish rule since the end of the fourteenth century.

The post-war disposition of Upper

*Silesia was determined by its wealth of natural resources and the impor-*tance of its industries. Here, as in the Corridor proper, the French, who favored the incorporation of the territory into Poland without the formality of a plebiscite, saw an opportunity to weaken Germany industrially and strategically. Great Britain, however, insisted upon a plebiscite. Though in the plebiscite, held on March 21, 1921, Germany received 707,605 votes and Poland 479,359, the region was divided; Germany retained the major part of the territory, but Poland received the sections which contained approximately 77 per cent of the output of coal, 82 per cent of the zinc production, 72 per cent of the lead, all the zinc and lead works and the entire chemical industry. As both countries immediately commenced to develop their respective sections of Upper Silesia, the legacy of the partition has been overproduction, useless competition, intensified economic nationalism and innumerable minority disputes.

From the standpoint of industrial organization the partition of Upper Silesia was unjustifiable. An integrated whole, the section had been developed entirely by German technical genius, capital and administration. But the Upper Silesian award succeeded in weakening Germany and strengthening Poland, and in this it realized its authors' intentions.

The evolution of Polish Upper Silesia since 1921 has not fulfilled the exuberant hopes of patriotic Poles nor has it realized the dire prophecies of disappointed Germans. While great political questions remain unsettled, many economic and financial problems have been disposed of. Poland has been in no position to finance her Upper Silesian industries and German banks have been anxious neither to withdraw their money and credit from *profitable undertakings nor to relinquish their influence over them. In* addition, it was to Poland's advantage, since she lacked a sufficient number of industrial organizers, skilled technicians and mining managers, to retain many German officials and laborers. The Germans, for their part, were not anxious to lose their means of livelihood. Notwithstanding the German-Polish customs war, which commenced in 1925, production in Upper Silesia increased until the economic crisis crippled industry throughout the world.

The position of minorities, especially that of the Germans in Poland, has further complicated the relations of these great States. The minorities problem, which has long afflicted Europe and which played a not unimportant part in bringing on the World War, received little attention from the world powers before the peace conference, though various precedents had been established for the protection of minorities. At the peace conference the American delegation pointed out the necessity of religious equality in Poland and the other Succession States.

On June 28, 1919, Poland and the Succession States were compelled against their wishes to sign a treaty which embodied safeguards and rights for minority groups under their sovereignty. In Poland particularly antagonism was very great, since the treaty was regarded as the perverse product of German and Jewish influence. Various allied statesmen, however, recognized the danger of placing great numbers of Germans, who belonged to one of the most advanced peoples of the world, under the domination of an economically less progressive Polish majority.

In order to alleviate many of the hardships and difficulties arising from the partition of Upper Silesia, Ger-

many and Poland, in May, 1922, signed the Geneva Convention, extending the provisions of the minority treaty to both parts of Upper Silesia and setting up also an Upper Silesian Mixed Commission and an Arbitral Tribunal. Under the impartial and capable presidency of Felix Calonder, a former President of the Swiss Confederation, the commission has been able to settle many disputes connected with the minority schools, employment conditions and the general relations between minority and majority in Upper Silesia. The right of appeal to the League of Nations has been employed by the German minority particularly, but after the recent aggressions against Polish Jews in German Upper Silesia the Polish minority appealed to the Council of the League of Nations for protection.

The minority problem is not wholly economic or cultural but embraces many other of the complexities of group life. Consequently the disputes which have arisen between the German minority and the Polish Government have been as diverse as they have been frequent. The conflicts in Posen and Pomorze in the first years after the ratification of the peace treaty were mostly concerned with liquidating German property, but most of the German complaints from Polish Upper Silesia centre on the entrance requirements for the German minority schools. The Poles, seeking to consolidate a national Polish State, naturally wish to limit the number of children attending the minority schools. During the years following the partition, the German vote in Polish Upper Silesia increased at each election and there was a corresponding increase in the number of children registered in the German schools. But after the Polish election campaign in November, 1930, in which physical violence accompanied intimidation, the German minority in Polish Upper Silesia was weakened. Protests to the League followed and after long and serious negotiations the Council of the League in September, 1931, settled the difficulties arising from these occurrences. With the growth of the Hitler movement in Germany, however, the possibilities of renewed disturbances on both sides of the border have increased.

The Poles regard the minority treaty as precluding the possibility of attaining the goal of a compact national State. Since, with the exception of the Jews, the minorities of Poland inhabit the regions near the frontier, the Polish attitude toward minorities is somewhat understandable. Moreover, the tremendous task of integrating the former Russian, Austrian and German parts of the restored State and securing the boundaries against neighbors who are convinced of the injustice of the peace settlement has caused Poland to oppose any diminution of her sovereignty. The succeeding years alone can prove the merits of the minority treaty and throw proper light on Woodrow Wilson's statement that "nothing is more likely to disturb the peace of the world than the treatment which might in certain circumstances be meted out to minorities."

Since the war Poland has done much to make herself economically independent of Germany, but despite political hostility the latter country has played a leading rôle in Poland's foreign commerce. Instead of looking upon Poland as a valuable outlet for German industries, Germany chose at first to ignore Polish markets in the hope that Poland would be forced to negotiate in political matters. Gradually natural influences overcame these difficulties and goods and credits

flowed between the two countries until the world economic crisis.

Bitterness reigns on both sides of the German-Polish frontier. Nationalism is rampant. The Germans have made little attempt to understand the Poles, and innumerable Germans despise the Poles as the members of a lower race. Even liberal opinion in Germany after the war predicted without regret the early disintegration of the resurrected State. Such an attitude changed gradually among many groups of Germans who realize the justification of the Polish Republic, though nationalistic circles continue to look down upon the Poles. As a result Germany's just claims in the eyes of the neutral world have been injured, while Poland's true strength has been misinterpreted. Imperialistic demands in 1919 and repressive measures against the German minority since then have necessarily affected German sentiment toward Poland.

The fundamental difficulty in the whole question is the Corridor. Until this thorn in Germany's flesh has been removed in a manner satisfactory to both countries there will be no peace in Eastern Europe. East Prussia, which has been cut off from access to the Vistula by a strip of land twenty yards wide, is impatient. Even before 1914 East Prussia was economically weaker than other parts of the Reich; since 1919 large sums of money have been appropriated for the isolated province by Berlin to prevent its economic collapse. The great landowners in East Prussia have understood how to combine with their own interests the cry of defense for Germanism in the East.

Poland's antagonism to treaty revision has support in many sections of Europe. While clauses of the Treaty of Versailles have been altered, in most cases they have not touched the territorial integrity of a nation. When the Rhineland was evacuated and reparations were abolished, the prestige and national honor of other peoples did not suffer. If Poland were prepared to discuss the territorial issue with Germany, would not that be the beginning of the end of the Polish State? One-third of her inhabitants are not Poles; would not these peoples raise their claims the moment that the Corridor became a subject of international negotiation? Moreover, there is a danger that a change in the Corridor would release a universal demand from the dissatisfied minorities in all countries—from Hungarians in Rumania, Czechoslovakia and Yugoslavia, from Ukrainians and from the inhabitants of Bessarabia and Trentino. And finally, although world opinion reflected a sympathetic understanding of the Germany of Stresemann and Bruening, the activities and tendencies of the Hitler government have created a serious barrier to any territorial revision. The experience of many centuries has demonstrated the impermanence of decisions won by force and a peaceful solution must be reached on the question of the Corridor.

Today neither Germany nor Poland wants war, but for over a decade German-Polish relations have been allowed to drift until they have reached an impasse. Present conditions lend force to the belief that an insignificant border incident would suffice to bring about the disaster which inhabitants near the frontier await with anxious expectation, with fear and, most tragic of all, with resignation.

Fascism and the Socialist Failure

By G. D. H. Cole

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PARLIAMENTARY democracy in two of the four great Western powers has been completely superseded by a new form of dictatorship, the strength of which is based largely upon the middle classes. In these two countries, Italy and Germany, the Socialist movements have been completely suppressed, or at least driven entirely underground, while communism has been practically extirpated as an organized movement. Nor have the trade unions escaped. Italian trade unionism has been transformed from an independent movement of the industrial workers into a dependent and regulated organ of the Fascist national State; and in Germany measures of the same sort are already well under way.

Though there is indeed no immediate fear of Fascist dictatorship in either Great Britain or France, it is possible that the system of dictatorship may before long spread still further in Central and Eastern Europe. Already the Balkan States are for the most part under some form of dictatorial rule, while in Poland the parliamentary system survives only in a shadowy sense and by the tolerance of the military group, which, in fact, rules the country. Austria, economically revived and awkwardly placed between Fascist Germany and Fascist Italy, is in imminent peril of some form of reactionary coup d'état. Hungary has already suppressed her Socialist movement by methods almost as thoroughgoing as those applied in Italy and Germany.

It might be supposed that the overthrow of parliamentary democracy in Italy and Germany would have driven the Socialists of Europe into the arms of the Communists; for the Communists have always maintained that parliamentarism, instead of standing for real democracy, was an instrument for the preservation of capitalism, and that the hopes cherished by Social Democrats of establishing socialism by parliamentary means were doomed to destruction as soon as any real attempt was made to put the method to the test. But in fact the present situation in Central and Southern Europe is even less encouraging for the Communists than for the Social Democrats.

In no country, except Russia, has communism succeeded in winning the support of anything like a majority of the working class, and in most countries the Communist parties have been no more than intransigent fractions, commanding the allegiance of an almost insignificant minority. In Germany alone was there a Communist movement of significant size, but when the attack was launched upon it by the Nazis German communism went down to destruction without striking a blow.

Fascism in Italy and nazism in Germany are essentially new things. In neither country has the eclipse of socialism meant the re-establishment of the old order. In Italy, Mussolini

and his followers did indeed take over and merge in their own organization what was left, of the old Nationalist groups. But these have neither supplied the main ingredients of Fascist policy nor afforded a real basis for its support. Again in Germany, while the Nazis have climbed to power on the basis of an alliance with the Nationalists and the great industrialists headed by Alfred Hugenberg, they have not been long in showing that they, rather than their allies, are the real masters of the situation—for the present at least.

While the Nazis are prepared to restore much that was characteristic of the old Germany, the driving force behind their movement is something very different from the old Junkerdom or from the capitalist domination of the great industrialists and bankers. Fascism and nazism alike are prepared to ally themselves with capitalism and with any other force hostile to socialism which they think they can bend to suit their purpose. But both fascism and nazism derive their real strength not from the believers in hereditary autocracy or aristocracy or from the great capitalists who are prepared to assist them in breaking the power of the Socialist movement, but rather from that large section of the community which in the modern world stands between the directors of capitalist enterprise and the main body of the working class. Italian fascism recruited its supporters mainly among the small bourgeoisie of the towns and the peasants; German nazism has drawn upon the same elements in the population, but has been based more extensively upon the urban middle class because of the higher degree of industrialization in Germany.

The emergence of this middle-class movement as the instrument for saving capitalism from socialism or communism is a phenomenon of profound significance. In the analysis of social forces made by Marx and Engels in the *Communist Manifesto* of 1848 the petite bourgeoisie was treated as a group requiring separate consideration. But they thought of it as essentially a reactionary force clinging to obsolete and obsolescent methods of production and exchange and seeking to preserve its position unaltered in a world of rapid economic change. To a large extent this remains true of that class today and of the elements which were drawn into fascism and nazism through fear of the coming of the Socialist system. But this reactionary small bourgeoisie has by no means provided the driving force of the new movement, nor could it have achieved by itself the significant victories which it has won over socialism during the past few years.

What has happened is that, side by side with that older small bourgeoisie, which depends for its survival on small-scale production and exchange, there has grown up within modern capitalism a new class composed of technicians, salary-earners and consultants of many different kinds. The social status or incomes of these men do not depend upon the survival of obsolescent methods of production; instead, they have been raised to importance by the evolution of modern industrial technique, which tends continually to increase the proportion of white-collar workers of the higher grades, while diminishing by the more intensive application of machinery the amount of labor required to produce a given quantity of goods. The industrial workers are, in the more advanced modern societies, a shrinking fraction of the population, while the clerks, the distributers and those who render various forms of

service increase greatly in relative numbers, with every technical advance and social development leading to an increase in the proportion of the national income paid out in higher salaries.

The leadership in the new movements which have won power in Italy and Germany has been assumed largely by men who belong to this new and technically progressive petite bourgeoisie. These men, unlike the older petite bourgeoisie, are for the most part energetic individuals; they include men with the required qualities of drive and leadership. Under the banner of an aggressive nationalism they have been able to marshal behind them the otherwise inarticulate and unorganized forces of the small traders, the peasantry and the intellectual workers who are searching for jobs well enough paid to assure them a social status corresponding to what they feel to be their right. Reinforced further by adventurers of any and every sort, and by those elements from the old aristocracy and the grande bourgeoisie which are prepared to throw their weight on the side of any force strong enough to smash the Socialist movement, as well as by supporters drawn from the lower strata of the population—the unorganized unemployed who have been long out of work and the sheer riffraff from the slums of the great cities —these elements have become under the peculiar conditions of post-war Europe strong enough not only to prevent the coming of socialism but in certain countries to take the whole power of the State into their own hands and to use it to suppress every articulate form of opposition.

Such a triumph depends, however, on the existence of certain special conditions. The strength of the appeal exercised by the "national idea" proclaimed by Fascists and Nazis alik has lain not so much in the inheren power of nationalist sentiment as i the circumstances which have induce in the minds of those to whom thi form of nationalism has made its ap peal a mood of pessimism and despai

Italy emerged from the war vic torious but economically prostrat Italian opinion bitterly resented wha it regarded as the deprivation by th Allies of Italy's fair share in the spoi of victory, and was inclined to attril ute to the malevolence of her lat Allies and the supineness and incon petence of her own politicians the eco nomic evils under which the peop were suffering. Fascism, under Mu solini's leadership, succeeded in cana izing all these forces of economic an political discontent and in directin them against both socialism and th older political parties which had s long misgoverned the country. Fa cism caught on in Italy because it a tacked indiscriminately all the thing which the Italian population keenl resented, and promised redress for a the sufferings which it had to endur It offered hope where no other part seemed to be able to with the possib exception of the Socialists.

But the strength of the peasant el ments in Italy made the power of th Socialists and Communists to fulfi their promises highly problematica while the divisions between the Italia Socialist and Communist parties mad them unable to seize such chances a did actually come their way. The sei ure of the factories, followed by th failure to turn the seizure into a revo lution, and the consequent ignomin ious evacuation, discredited Italian so cialism in the eyes of many of it working-class supporters, while sti ring up the opponents of socialism t resist and break its power by an and every means.

The situation in Germany differs greatly from that which developed in Italy in the years immediately after the war, and yet, in a more extreme form, has had many of the same psychological consequences. For nearly a decade and a half the German people have been compelled to live under the shadow of a defeat of which they have been constantly reminded by the punitive measures imposed on them by the victorious Allies. During this period they have been living under a Republican Constitution, governed by a Parliament in which the Social Democrats have been for the most part the largest party and in a position to influence greatly, though not positively to control, the government of the country.

Under the pressure of allied claims and a heavy burden of external debt, incurred partly for reparations but also largely for the reconstruction of her industries, Germany has been compelled to adopt a system of government which has reproduced superficially many of the features of socialism. The State, under this pressure to meet the allied claims and to make both ends meet, has been compelled to intervene more and more in the affairs of every citizen, with the consequence that State intervention and Socialist influence have received most of the blame for the sufferings through which the German people has been compelled to pass. Actually, these sufferings have arisen from causes which have nothing to do with socialism, while the methods of State intervention which successive German Governments have put into force have not been socialistic in any real sense.

Meanwhile the Social Democrats, conceiving it to be of the greatest importance to defend the republic against attempts to restore the old autocracy, completely subordinated their Socialist aims to the needs of Germany's international situation. As a consequence they came more than any other party to be regarded as the apostles of defeat. This aroused intense hostility to them among the bourgeoisie and the old upper classes, the more because the post-war inflation and the subsequent poverty of the German Republic had deprived a large part of the middle class of the incomes required to maintain their former social and economic status. Thus there existed a huge mass of impoverished *declassés* who, devoid of hope in things as they are and hostile to a socialism which held out to them no prospect of redress, were prepared to attempt any venture that offered them an escape from their existing situation.

On the other hand, the policy of defending the republic at all sacrifices cost the German Social Democrats the backing of a large section of the working-class and especially of the younger workers, who went over to communism because they saw in Social Democracy no hope of escape from the oppressive conditions which threatened them with constant unemployment and with a fall in their standard of living even if they were able to find work. Communism, therefore, grew powerful under the influence of the same forces that were making nazism powerful on the other side. But the main body of the German working-class stuck close to Social Democracy, and the Communists never really stood a chance of winning over to a revolutionary Socialist policy a sufficient amount of support to enable them to withstand the threat of a Nazi dictatorship.

Only united action by the German working-class as a whole, including the Social Democrats as well as the

Communists, at the moment when Herr Hitler's movement was clearly becoming formidable could have averted the collapse which ultimately came about. But the Communists underestimated the potential strength of nazism, while the Social Democrats appear to have hated the Communists even more than they did the Nazis and have been prepared for no accommodation in the interests of working-class unity. Accordingly, when the time came, the Nazis, allying themselves temporarily with the Nationalists, and thus assuring themselves of the support of the armed forces, were able to disarm and shatter their opponents.

Meanwhile, what has been happening to socialism in the other two great countries of Western Europe, which remain under the system of Parliamentary democracy? In France communism of a sort seemed powerful for a while after the war, and was even strong enough to carry a majority in the old Socialist party. But after this victory its power speedily receded, and the Socialist party re-established itself as the more powerful influence upon the French working class. There was so clearly no possibility of pursuing a revolutionary policy in post-war France that communism had no real reason for existence. The French industrial workers were not strong enough, in view of the occupational composition of the French population, to make a revolution by themselves. Under conditions of peace, at any rate, no such revolution could be made without a large amount of peasant support, and there was no sign that the peasants were in a revolutionary mood. French socialism, therefore, resumed its accustomed course, endeavoring to appeal to the peasants by giving them pledges against the expropriation of their land and promising them redress for their socia and economic grievances while basin itself mainly upon the support of th industrial workers and on the attemp to enlist on their side a substanti fraction of the petite bourgeoisie.

French socialism, therefore, did n differ essentially from the Left Win of the middle-class Radical party; i fact, French Socialists, while preser ing their independence and refusir to enter combined governments of tl Left, have acted throughout the pos war period in loose and informal al ance with the Radicals, and som times in more formal association wi them in the *Cartel des Gauche* French socialism, under these conc tions, has been influential in givi French radicalism a more leftwa tendency than it would otherwi have had; but it has never at a moment promised to bring about tl establishment of socialism in Fran or even to achieve any significant a vance in a Socialist direction.

The British situation is far diffe ent, above all because agriculture o cupies less than 7 per cent of the po ulation, compared with 40 per cent France. Because the British econom system is essentially urban and i dustrial, industrial workers form far larger element in the populati than in France or even in German Accordingly, it has been easier for tl British Labor party, under the syste of Parliamentary democracy, to g within a comparatively narrow di tance of the actual achievement of Parliamentary majority. But this h been secured not by the action of tl industrial workers alone but on tl basis of a Labor policy broad enou to enlist in support of the claims the industrial workers a substanti fraction of the white-collar worke and even of the middle class. Tl British Labor party has continued

be based on the trade unions and to be governed ultimately by the opinions of the general mass of the organized industrial workers. The past economic prosperity of Great Britain, however, has made her wage levels substantially higher than those of France or Germany and has raised a considerable section of her working class to a position in which it is not far removed in income or social status from the lower sections of the middle class. Its point of view, therefore, has been semi-bourgeois. There is no sharp class division in Great Britain between manual and non-manual workers, nor is it even remotely possible that a party which attempted to base itself on the support of the manual workers alone could secure an independent majority in Parliament.

The Labor Cabinets of 1924 and 1929 pursued a policy of moderate social reform rather than attempting to introduce even the first instalment of constructive socialism. It is true that neither of the two governments possessed an independent majority, and that accordingly they could govern and pass their measures through the House of Commons only if they secured a sufficient amount of Liberal support. Actually, to attempt the carrying of Socialist measures would have been to invite certain defeat in the existing Parliamentary situation.

Confronted with a serious economic crisis and with a large mass of unemployment in Great Britain, even before the world slump, the British Labor Government could not, without some sort of frontal attack upon capitalism, raise sufficient funds to make their policy of social reform effective without pushing taxation to a point at which it diminished to some extent capitalist incentives to production. Moreover, the policy was widely believed to have diminished these incentives to a far greater extent than w actually the case. British Labor l tween 1929 and 1931 tried the pos bility of carrying on a policy of soc reform and redistribution of incom through taxation and of maintaini working-class standards of living the face of conditions of internatior competition which pressed harsh upon the British economic syste The only result was to convince a lar section of their own followers th this policy was impracticable a that, not only could no real advar toward socialism be made in this wa but that even the maintenance of s cial reforms already gained was a ta beyond the power of the working cla movement.

When the crisis came in the A tumn of 1931, this situation had to faced openly. Ramsay MacDonald a the few of his colleagues who sid with him accepted the logical conc sions of trying to keep the capital system going and of abandoning t attempt to maintain working-cla standards by the infusion of a cons erable element of socialism into t national economy. Accordingly th joined forces with the Conservativ and Liberals to preserve British ca talism in the crisis, while the ma body of the Labor party, unwilli to accept this logical continuation the Labor government's previous p icy, passed into opposition and we down in the general election of 19 to overwhelming defeat. Even th the main bulk of working-class vote remained loyal to the party and a ready the party is regaining its ele toral strength.

But Labor's policy is still in t melting-pot and its leadership is st torn between the desire to re-establi the old policy of gradualism, with on a moderate shift in the direction more active Socialist measures, a

the feeling that gradualism is no longer workable in face of the deepening depression in world capitalism. It is easy enough to show that British Labor, even if it gained an independent majority of its own—which it is by no means yet within sight of doing—would have the greatest difficulty in establishing socialism by constitutional means, not only because it would have to encounter the determined opposition of the House of Lords and probably of the Crown, but also because its majority would almost certainly be composed of heterogeneous elements, not all of whom would be anxious for a complete and immediate Socialist program.

It is also not difficult to show that a resumption of the old tactics whereby the Labor party tried to edge the British economic system toward socialism without any frontal attack upon capitalism—such as might cause dangerous economic dislocation and at any rate a temporary fall in the standard of life—is very difficult to carry into effect because there are narrow limits to the extent to which capitalism can be taxed without taxation reacting on the efficiency of capitalist industry in world competition. Accordingly, despite the obvious difficulties in the way of winning over a majority of the British electorate to a positive Socialist program, or, even so, of putting such a program into operation by constitutional means, there is at present a pronounced drive among the rank and file of the Labor party toward the Left. The Labor Party Conference of 1932 adopted, much to the annoyance of many of its leaders, a set of resolutions which pledged the next Labor Government to an attempt to carry a constructive Socialist program immediately into effect.

The practicability of such a policy clearly depends on the prospect of securing for it the support not only of the main body of the industrial workers but also of large elements drawn from the professional, technical and administrative classes. In Great Britain these classes have so far shown no sign of going Fascist, for the very simple reason that they have not felt the suffering and despair to which the corresponding classes in Germany, and to a less extent in Italy, were subjected. Great Britain, despite a large mass of unemployment among the industrial workers, is still a prosperous country, and there has been no severe decline in the standard of living of the middle classes, nor is there any large mass of *declassés* to reckon with as a revolutionary or counter-revolutionary force.

Only a plunge of the British economic system into far greater adversity would rally anything like a formidable Fascist movement in Great Britain. Though conditions have grown worse during the past year or two, there is no sign of their reaching in the near future a level anywhere near low enough to bring this about. In these circumstances it is possible for British socialism to appeal for middle-class support, on the basis of the ideas of rapid socialization of large-scale industry and the institution of a planned economy, in such a way as to have some hope of winning over a substantial fraction of the technicians and administrators who realize the inefficiencies of the existing capitalist economy, and who believe that they would get fuller scope for the use of their special qualities within a planned economic order.

Doubtless most of these people would rally more readily to the support of capitalist planning than to planning along Socialist lines — but

there is no indication of the willingness of British capitalism to adopt a planned economy. Many individuals are at least sympathetic to socialism, and are deterred from becoming Socialists less by the fear of violent revolution—for communism is almost as insignificant as fascism in Great Britain—than by a doubt whether the Socialists mean business or possess the will and competence to carry a policy of planned socialization into effect.

There is, indeed, no more likelihood of socialism coming to Great Britain in the near future than there is of it coming to France. It is clear that socialism will not come either by the mere continuation of the gradualist tactics of past Labor governments or by the rise of a party attempting to achieve it along Communist lines.

Taking the European situation as a whole, there is no doubt that the prospects of socialism have become much worse since the years immediately after the war, when it seemed likely that the victory of socialism in Russia and the establishment of constitutional parliamentary régimes over the greater part of Europe, accompanied by the rise of powerful Labor and Social Democratic parties, would mean the rapid adoption in Western Europe, not of communism but of a constructive, constitutional socialism. The chance of this happening was lost in the years immediately after the war.

The German Social Democrats, working under the difficulties imposed by a defeat in arms, threw away their chance when, instead of trying to establish socialism in the new Germany of 1919, they handed over power to the middle-class parties and contented themselves with an attempt to defend the republic at the cost of postponing any real endeavor to build up a Socialist system. The British Labor party did not throw away its chances in the same sense, but, working with circumstances far more in its favor, it failed to make the required advance from an attitude of mere social reform to a constructive Socialist policy in the years immediately after war, when it might, if it had used its opportunities to the full, have won a clear majority for socialism. Its chance is not yet lost, but the reaction against socialism on the Continent has made its task a great deal harder than it might have been.

On the other hand, it may legitimately be doubted whether Italian fascism and German nazism have in them any of the elements of permanence. Built up essentially on a reaction against adversity and on an appeal to the violent passions aroused by defeat and distress, they appear to possess no constructive policy capable of solving the economic problems of the coming generation. Denying class antagonisms and attempting to substitute for them the appeal to nationalist passions, they threaten Europe with a renewed war which, if it comes, is likely to bring the whole structure of European capitalism down in utter collapse and to bury fascism and nazism in the ruins. Out of such a chaos socialism would in all probability be quickly reborn; but obviously socialism achieved in such a way would come at the cost of an incalculable amount of needless human suffering.

Hitler's Propaganda Machine

By ROGER B. NELSON

[The writer of this article has had unusual opportunities of studying the Nazi movement in Germany at first hand and of obtaining the views of the outstanding leaders in private and informal conversations with them rather than by questioning them in set interviews.]

MOST observers have been amazed by the speed and thoroughness with which the National Socialist German Labor (Nazi) party has reorganized the government apparatus of Germany, in eliminating opposition and in transforming the entire social and political landscape of the Reich—and all this after the Nazis' fortunes had been buried deep last December by most of the foreign correspondents and the overwhelming majority of their opponents at home—Democratic, Catholic, Socialist and official Communist.

Why did German fascism grow and triumph? Was it a result of the Versailles Treaty? Was the victory a by-product of the weakness, blundering, confusion and division of its enemies? Is it the outcome of the economic crisis? All these are fundamental factors and have received their merited consideration.

But the mechanics of popularizing fascism among the German people has been completely overlooked. A special, carefully planned technique of propaganda and agitation has enabled the National Socialists to sell their comprehensive and ambitious program with an ease which might well make America's most brilliant publicity agent envious. This propaganda involved the skillful exploiting of German psychology. Specific, peculiar German conditions were systematically capitalized. The strategy was always to find the weakest link in the bourgeois democratic and working-class revolutionary chain of opponents and there to apply the greatest pressure. This is what Leopold Pleichinger, chief asset in Hitler's unadvertised "brains trust," meant when he said: "We National Socialists have learned much from the Russian Bolsheviki." In view of this, it is interesting to speculate why Hitler did not proscribe Lenin's books, *The Infantile Sickness of Communism* and *The Proletarian Revolution of* 1917, when he ordained a nation-wide burning of Marxist literature.

In the color, spirit and drama of the Nazi propaganda technique, or Fascist "salesmanship-*kultur*," is to be found the soul and vision of German fascism. The German Fascists have learned to dramatize their talk, their deeds, their very existence. It is the drama of Fascist propaganda and the smooth functioning of the Nazi propaganda machine, under the direction of Joseph Goebbels, that have generated the phenomenal rise of Hitler's party.

Above all, the Nazi promotion machine emphasizes good acting. Millions of Germans, of all classes, like to play at soldiers and office-holding. As Herr Scheller of the *Angriff* staff told me, "the masses want it. We can and must give it to them. It can only help our movement. We must see through the eyes of the masses." Hitler and his aides-de-camp well understand how much the soldier spirit, the military spirit, has been bred into the

ierman people for many generations.

That is why military pomp per-ades the Nazi organization and its ropaganda. Hence the handing out of ffices and "titles" to large numbers n the party. Even the office of door-eeper in a party building becomes oveted once it is conferred by the Iazi party leadership. A doorkeeper, et us say in the Berlin district of-ice, no longer considers his services nenial. Has he not been given a party niform and charged with the guard-anship of party headquarters? He ias "military" orders. He has been nade to feel that he is a soldier in the ause, with power to give as well as o execute orders.

The form of Nazi party organiza-ion is built around this idea of "play-ng soldier." The regular army, the Ɩeichswehr, has its uniform. The arty Storm Troops *(Sturm Abteil-ing)* and Safety, or Security Squad *Schutzstaffel)* have theirs. At one Iazi mass meeting I asked a leader of he Security Squad: "Why do you all alute each other so much? And why o you throw your shoulders back nd click your heels so often?" He utomatically threw back his shoul-ers, clicked his heels, stood erect and aid: "Our party salute, the raised, orward-stretched hand, and our *Heil'* (hail) infuse us with solidarity, mpress upon us all our feeling of soldiership,' our fighting comrade-hip in our great cause, 'the rebuild-ng of a strong and beautiful Ger-nany.' "

This very profitable game of sol-iers goes on zestfully in every Nazi arty headquarters. In the Berlin arty building one sees uniforms con-inuously rushing and strutting from oom to room. The Nazi clerk in the ook shop, collecting small change rom a customer, acts as if he were vorking in the commissary of an army division. Every wall is plastered with the *Hakenkreuz* (swastika), the party emblem. Post cards, pins, uniforms, neckties, flags, pennants, standards, banners, charms, posters, watch-chains and boots, all bear the sign of the *Hakenkreuz* and are for sale in the book store. Here one can also buy paintings, book-ends, sil-houettes, plaques and post-card pic-tures of Hitler, Goebbels, Rosenberg, von Epp, Goering and other Nazi chiefs. Pictures of German national heroes of the past are very cleverly confused with Nazi heroes of today. On one wall there is Hitler posing as Bismarck. Beside him is Goebbels masquerading as Frederick the Great, and Captain Goering aping von Moltke.

Certainly, these leaders, these first-line performers in the Nazi show, know how to drape themselves. They are past-masters in exploiting "the callings-up of the dead upon the stage of universal history."

The Nazi concept of leadership, dis-cipline and organization and the atti-tude toward party propaganda work are military to the core. Party disci-pline is based solely on formal orders from above. The leader, *der Fuehrer,* is all-powerful in himself. Today in Germany the leader is Adolf Hitler. He is above all, but not of all. Let Joseph Goebbels explain this concept of leadership: "It is an old lesson of history that when a young party sure of its aim wrecks the rule of a corrupt and inwardly foul system, when it takes into its own hands the power of the State, it gives the responsibility to a dictator, who must conquer the State with new ideas and put them through. That is what we are going to do." When Wilhelm Frick, the first Nazi to take over a ministerial post, assumed office in Thuringia, Hitler grasped the occasion to show who is

who in the party and whose party it was. He declared himself: "I have selected Party Comrade Frick to take over the post of Ministry of Interior and Education * * * only to represent the ideas of our *Weltanschauung* (world philosophy)."

Finally, the manner in which the Nazis have capitalized Mussolini's Fascist victory and experiences for themselves indicates again their special sensitiveness to German weaknesses and idiosyncracies. Italy and Italians are always kept in the background or are featured only in such statements as this: "If even the Italians could work such wonders with fascism, then how much more could we Germans, pure Nordics, achieve with fascism!" Always the Nazi propaganda is very gratifying to the long and carefully cultivated German national pride.

These Nazi propagandists are superb salesmen. They do not overlook anything. When they push the sales of their own cigarettes they pack in Nazi publicity. Here is a package of ten, called "Kommando," with a lusty *Hakenkreuz*-breasted eagle on its face. On one end is printed the fighting slogan, "Struggle Against Trust Rule"; on the opposite end the name *Kameradschaft Zigaretten* (Comradeship Cigarettes). Inside is a premium-coupon bearing more Hitler propaganda. This time it is in verse and closes with an appeal and a lesson in Nazi economics: "And do not forget—*Kameradschaft Zigaretten* are hand-packed to help overcome German unemployment. * * * Smoke K. Z. everywhere, all the time." Here is another package called *Sturm* (Storm), with more Nazi insignia on its face and another call to action on its sides: "Against the Trust and Corporations." And inside, a beautifully colored picture, one of a series portraying types of soldiers and uniforms in the days of Frederick the Great. Then there are cigarettes called "New Front," "Alarm" and "Drummer." All these cigarettes proudly emphasize in their plea to be smoked that "a virile nation can never go down, because at the right time there comes to it the right leader, who, fearless of whatever fate may befall him, raises new armies *(neue Fronten)* to deliver and save it."

The same all-inclusive propaganda is used with candy, gramophone records, stationery and other articles of consumption. On all sides the Nazi cause is being promoted and streamers proclaim: "All power to Hitler, the Leader, the Deliverer!"

From platform and street corner, in movie and pulpit, from broadcasting station and airplane the Nazi propagandists have pounded away at the misery, the confusion and corruption of German parliamentary democracy. Every Nazi orator has time and again proclaimed that "it is the Versailles Treaty and the 'system' it forced upon Germany that has brought all the trouble." And the Nazi editors have emphasized and re-emphasized that "it is the 'November Men,' the Marxists, the Red-Black (Social Democratic-Catholic Centre) coalition who stabbed us in the back during the war, signed the degrading peace, disgracefully agreed to the tribute payment of the Dawes and Young Plans and let in the Jews, bolshevism and international high finance." To such propaganda the jobless students, bankrupt storekeepers, poverty-stricken professional workers, hungry housewives and slum proletarians not only lent a ready ear but soon added a powerful fist. The Nazis never missed the slightest chance to coin this misery, growing out of a lost war and a world-wide economic crisis,

into political capital for themselves. To a defeated Germany they glorified nationalism and raised the banner of a new Germany. Hitler's aim was to impound these nationalist tides so that they might generate a current which would energize his followers and paralyze his opponents.

"The People," as a sort of mythical, all-stirring and all-vanquishing concept, was dinned into every Nazi propagandist, great and small, into every Nazi political stagehand and star. Every election manifesto proclaimed: "You, the people, in your hands lies the future. You have to decide whether Germany should continue as a paradise of money speculators and swindlers or should again become a land of honor, well-regulated life, and conscientious responsibility. * * * You, the people, look up and act. Drive the bureaucrats out of their easy chairs. Give Hitler the power and responsibility!"

With unbounded fury have the Nazis assailed the Social Democratic party, primarily responsible for German government until the von Papen-von Schleicher Cabinet. But they did not hesitate to put into one category all their enemies, no matter how much they differed among themselves—Socialists, Communists, Centrists and Liberals—condemning them as equally guilty. Even the fight-to-the-finish between the revolutionary Communist party of Germany and the reformist Social Democratic party never prevented Hitler from branding them both as Marxists, as revolutionary internationalists. So successful were the Nazis in this agitation that today millions really believe that "the Communists are just Moscow murderers; they are at least honest and fearless in their class-war, but the Socialists mean the same and deny it. They are corrupt. Look at the Barmat and Sklarek scandals. Who can forgive them the oppression of their whole Parliamentary democratic system and the emergency legislation which robbed us of our bread and freedom? And the *Zentrum* of Bruening, this Catholic party, it is like a Westphalian ham—black on the outside but red on the inside."

The mistakes and difficulties of other parties became grist for the Nazi mills. The arrogant bureaucracy of the German republican government was generally abhorred. No one exploited this in the workers' ranks with greater cunning and with more deadly effect than Hitler. Here was an excellent entering wedge for the Nazi propagandist into even the class-conscious proletariat. The bureaucrats must go! This became the battle cry of the Nazi agitators in the industrial sections of the country. Recruits were thus gained in new strata of German society—in the proletarian camp. Nor were they ordinary recruits. They soon proved to be most militant, especially in the Storm Troops.

Again let Goebbels show us how the Nazi propaganda machine works. Addressing himself to the pick of the Storm Troops and Security Squad, massed in the Lustgarten of Berlin, he waxed eloquent in masterly demagogy: "We do not want to think any more in terms of classes; we are no proletarians and are no bourgeoisie. We do not ask whether you are manual laborer, worker or prince. A great common cause welds us together. The day of freedom and bread is drawing near. * * * Now they [the Social Democrats] are out on the streets calling for freedom. For fourteen long years they had the opportunity to achieve freedom, but, instead, they took away the bread from the people; instead of providing work they

slugged the German workers with hard rubber clubs *(Gummiknueppel).*"

The Nazi propaganda machine has been quick throughout to steal whatever it could use from the camp of the working-class revolutionists. The Nazis were taught to fight bolshevism with some of the weapons of communism itself. Thus, the Fascist storm banners bear this symbol and song: "We are the army of the *Hakenkreuz.* Wave the red banners high. We shall bring the German workers to the road of a new liberty!"

The appeal to martyrdom rings throughout all Nazi propaganda. At all meetings before Hitler took power members of the party went around with collection boxes urging you to give, to "help the Nazi prisoners and their dependent families"—prisoners as a result of street brawls, fights at meetings with Communists and Socialists, attempts on political opponents' lives, and so on. These collection boxes were labeled in big red letters: "Think of Nazi Prisoner-Relief. * * * Not a single Nazi prisoner must feel neglected. Loyalty to the loyal." A sketch of a Nazi in his prison cell tops the message. Throughout the period of the struggle for power, every Nazi paper made the most of announcements of party comrades being slain, often with a picture of the dead. Gruesome murder evidence or impressive funeral scenes of their fallen party heroes were constantly featured.

In the campaign to win converts from the Socialist and Communist camps, the Nazi propagandists boldly flaunted the banner of the Fascist hammer and sword against the Communist banner of the hammer and sickle and unfurled the red flag with the black *Hakenkreuz* against the red flag with a golden Soviet emblem. Thus were workers harangued in the Lustgarten in Berlin: "We are against the capitalists. We are against high finance. We want socialism. We want socialism for Germany and by Germans and without Moscow and Slav dictation. The Communist party has promised you a revolution many times. Did not some of you believe the Communists in 1929 when they promised you a revolution after that bloody May Day? But it never came. Communist and Marxist promises never will or can come true in Germany. Only Hitler can make a revolution to end our misery, give us work, give us bread, bring us freedom, and lead us to socialism."

A whole system was worked out to steal the revolutionary thunder of the Red proletarians and exploit anti-capitalist sentiment wherever it existed. No Nazi speaker failed to repeat endlessly the revolutionary-sounding phrases provided for him by the Goebbels propaganda department. At every meeting there was mass singing of Communist tunes with Nazi words. At one time the Nazis were making so much headway among the newer Communist party recruits that the *Parteiarbeiter,* the official organ of the Communist party of Germany, in its issue of September, 1930, complained: "These novices have studied our methods thoroughly. The whole volume [a pamphlet of the National Agitation and Propaganda Department of the Nazis] is only one indication of how the Nazis are able most effectively to fool and betray the masses by utilizing our methods and slogans."

Nazi agitators were provided with pamphlets to teach them how to fire the imagination of their listeners in the manner of Hitler and Goebbels. The pamphlets contained specially inserted loose leaves, *Hilfszettel* (helping notes), each leaf containing an argument with facts and figures eith-

er explaining some Nazi plank or setting forth the Social Democrats' voting record in the Reichstag for fifty years or unmasking them as "traitors to the working class," as "lackeys of high finance," and as "vassals of the Stock Exchange."

The middle classes were by no means neglected. The Nazis saw despair turning many of them to astrology, fortune-telling and all sorts of quackery for hope and relief. Poorer middle-class housewives, particularly, were attracted to astrology. From July 31 to Aug. 3, 1932, the German astrologists held a national convention at Stettin. Here such subjects as "Astrology and Education," "Astrology, the Press and Criticism" and even "Politics in the Light of Astrology" were discussed. Among the popularizers of astrology, Jan Hanussen, recently mysteriously murdered and since discovered to have had Jewish blood in his veins, was the most successful. His weekly paper, *Hanussen's Berliner Wochenschau,* led the field in circulation.

In stepped the Nazis. A middle class in misery is the most fertile field for fascism. Astrology and clairvoyance soon became the best Nazi fertilizers in the ranks of these disillusioned and despairing people. No time was lost to make Hanussen a Nazi prophet, so as to create the impression that the future lay with the Nazis. In Hanussen's weekly the wildest of Nazi dreams, hopes and plans were established as coming and foreseen in the horoscope of von Hindenburg, von Papen, von Schleicher, Hitler and others. In this fashion the lower strata, culturally speaking, were stirred. "Here, at last, is a chance for success," said the middle-class housewife to herself. For the first time she had the stars and planets on her side.

Months before the overthrow of the Socialist-Catholic coalition government of Prussia, the Nazis demanded the political heads of the chief Social Democratic officials. To trained observers it was obvious that the Social Democrats' days were numbered. In April Hanussen read the horoscope of Severing, the Social Democratic Minister of Interior in Prussia, and told the world that big changes were coming in which Severing would be involved. On July 20 he and his Socialist and Catholic colleagues were all dismissed from office by President von Hindenburg. It was easy, therefore, for Hanussen, the chief stargazer of the Nazi fold, to boast in his paper on July 24: "And how truthful have our words proved themselves to be!" When Hitler hoped for a majority in the Reichstag, through a coalition with Hugenberg's Nationalist party, the astrologers were quick to prophesy: "Hitler and Hugenberg, facing a community of tasks in the coming Reichstag, will stand together." When for a time Hitler was casting sheep's eyes at the Catholic Centre party, Hanussen's headlines asked rhetorically: "Will Bruening yet become a Nazi?" The Nazi star-gazers overlooked no political possibility on the firm earth beneath them.

Time and again Hitler had told the world: "I am convinced nothing will happen to me, because I believe destiny has assigned a task to me." Conveniently the Nazi propagandists mobilized their supernatural department and had Hanussen turn to his crystal with the question: "Will Hitler become Chancellor of the Reich?" On this point Hitler's horoscope was clear: "The sun is big and is in the division consisting of the three signs of Jupiter (Trigon)—the majestic Trigon! With this also comes the three-sign division of Sun-Moon, Moon-Venus and Jupiter-Venus which only

strengthens the royal Trigon. All these would be strong signs for Hitler's assuming the post of Chancellor —and later even higher posts."

The keystone of the whole Nazi theoretical arch is the race question. And the race question means anti-Semitism. The Nazis have a special index of individuals in public life whom they suspect of having even the slightest trace of Jewish blood. No effort was spared to make anti-Semitic propaganda effective. Cartoons, caricatures, high-sounding slogans were at a premium. Here is a typical advertisement in *Der Angriff* of Aug. 6, 1932: "Artist Wanted—For anti-Semitic caricatures, talented, current contributions. Also similar literary contributions are wanted. Applicants should forward their replies to B. V. 449 *Angriff* Hedemannstrasse." Anti-Semitism, as a philosophy, was well rooted in Germany, and the Nazis feverishly exploited the prejudice for their own ends. In their propaganda manual they characterized the Jew as the personification of all evil in Germany, the cause of all misery and destitution, the power behind the forces which brought about Germany's defeat in the last war, the mainspring of Marxism and internationalism. Just as astrology drew the backward housewife and the bewildered, hopeless rural middle classes to the Nazi heaven, so did anti-Semitism inflame and capture urban middle-class people, the small storekeepers, standing bankrupt before the growing department stores owned by Jewish merchants.

When we see how the Nazis succeeded with their propaganda, it is interesting to listen to G. Stark, the Hitlerite theorist: "Political propaganda is quite different from advertising, though it utilizes in part the same methods. Propaganda on the political or the spiritual field is not commercial advertising which seeks only monetary success, but rather it seeks systematic education to win followers for a world philosophy (*Weltanschauung*). We always remember the great number of comrades who sacrificed their life for the movement. They were propagandists of the deed until their last breath." Indeed, even the American advertising experts can learn much from the Nazi publicity technique. And the kings of the underworld can take lessons from the Nazis in the field of "the propaganda of the deed" in which they have been especially effective. The Beuthen incident and the sweeping "achievements" of the Storm Troops against their political opponents and the Jews are notorious. In the Nazi propaganda arsenal, terrorism, demonstrations, parades and raids are the accepted weapons. Often, undoubtedly, terrorism has been the chief and most forceful. The Nazis have elaborated a complicated technique in their preparation of terrorist campaigns to "educate" whole communities, to strike fear into whole towns, to make them swallow their creed, if necessary with castor oil and time bombs.

The Nazis boast of the realism in their propaganda machine. "To be able to see with the eyes of the masses, this is the whole secret of the key to successful political propaganda," asserts Herr Stark. It must be admitted that Nazi propaganda has equaled its highest hopes in weaving generalizations, illusions, promises and prejudices around the everyday interests and activities of the people.

The *Kampfschatzmarken* (fighting fund stamps), often beautifully printed in the Soviet colors of red and gold and bearing such slogans as "Freedom and Bread" and "The Future Belongs to the People," have circulated

by the millions with telling effect. Nazi placards with striking and colorful pictures of farmers, housewives and workers, make a direct appeal. Quite often the posters are copied outright from those of the Russian or German Communists. Nazi leaflets have been rich in simple fighting slogans, with rousing calls to action in picturesquely vague language. In recent months special efforts have been directed to harnessing the movie and the theatre to the Nazi vehicle of propaganda. The Hitler-*Schallplatte* (phonograph record), taking eight and one-half minutes of playing time, is a big attraction at all meetings in small towns and rural areas which Hitler does not reach in person. Many are glad to pay to listen to the master's voice.

In the big cities where addresses are delivered by such eloquent speakers as Hitler or Goebbels, the admission prices often run as high as $1.75 a seat. The meeting is held in a huge stadium. An aviator in a Nazi plane thrills the audience with dare-devil stunt flying. The Storm Troops march onto the field to the tune of the Frederick Rex March and assemble in a huge swastika formation. The air is charged with a martial spirit—drums, trumpets, bells, cymbals and plenty of brass on every side. While waiting for the speakers to arrive the audience puffs Nazi cigarettes or chews Nazi swastika-stamped candy. Hundreds of Roman-candle fireworks flare through the dark at night meetings. The main speaker advances to be greeted by a torchlight parade. His aim is to arouse a spirit of revivalism which sweeps the vast mass off its feet. At the end of the meeting as many as 150,000 may arise in unison to sing *Deutschland Ueber Alles*. They march out in disciplined fashion and find on the streets battalions of Storm Troops who unfurl their crimson banners with the tiny black swastika on them, and sing Nazi songs, now in the melody of a Polish revolutionary peasant song, now to the tune of the "Red Guard March," and finally in the melody of the "Volga Boat Song."

The three maxims of Nazi propaganda success are:

1. Dramatize your propaganda. All the world is a stage. Act well.

2. Always maintain the initiative. Always spring something new. Always let something loose; let there be something happening, something going on. And always be on the offensive—in your propaganda of the word as well as in your propaganda of deed.

3. See with the eyes of the masses, with the eyes of all who should be Nazis. Speak in their language. Give them what they want—in your propaganda. Know your people, the Germans. Be of the Germans. And, above all, learn to draw your followers en masse into your propaganda work. Make every one feel he is an actor on the stage of history building a new Germany.

Nazi Treatment of the Jews

By SIDNEY B. FAY
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An outbreak of anti-Semitism, unparalleled in modern times, followed the victory of the National Socialists in the German elections of March 5. It aroused a widespread cry of indignation and protest throughout the civilized world. Even if some of the reports were a little exaggerated, the story was terrible enough to indicate that the Nazi party members, if not Chancellor Hitler's official government itself, were leaving no stone unturned, short of physical extermination, to eliminate the Jews from German life and reduce them to the condition of outcasts and paupers.

Surprised and angered by the attitude taken by foreign countries, the National Socialist leaders declared that a deliberate "atrocity propaganda" was being employed against them and that foreigners had no knowledge of the true character and purposes of the National revolution in Germany. As a "reprisal" for the foreign attacks on Germany, there was announced for April 1 a nation-wide boycott against all German Jews. In view of protests from German business men and from the whole outside world, the boycott was restricted by Hitler to a single day, instead of being prolonged as Goering desired.

Some account of the causes and the development of this anti-Semitic campaign and its consequences was given in the May number of this magazine (pages 142-145). It was there suggested that it is one of the teachings of history that foreign protest or interference at a time of revolution usually tends to excite and increase the fanaticism of the party against whom it is directed and to injure the people on whose behalf the protest or interference is made. Many Jewish organizations and newspapers in Germany similarly expressed the wish that foreign protest in their behalf should cease, asserting, undoubtedly through intimidation and fear of National Socialist reprisals and more severe persecution, that their condition was not nearly as deplorable as represented in the foreign press. In accordance with such wishes, foreign indignation, though no less intense than it had been, declined somewhat in volume of public expression during April.

Nevertheless, enlightened public opinion abroad insists that the Nazis are subjecting thousands of law-abiding and innocent Jews to the most cruel and brutal persecution, depriving them of their rights as German citizens and reducing them to a far more pitiable and hopeless condition than that suffered by the Negroes in some of our Southern States. The Nazis seem to have relapsed into a medieval barbarism.

The controlling authorities in Germany, on the other hand, seek to justify themselves on the ground that the National revolution is merely purifying Germany of harmful, un-German influences. According to Dr. Goebbels, in a statement on April 12, Jews in Germany have not become assimilated as in many other countries. The Eastern Jews who poured into Germany after the war, he said, "make

use of the customs, habits and language of Germany without, however, understanding the country in their hearts. They have created a desolating disorder in the field of the press, the films and public opinion under the protection of Social Democracy, that challenged the last resistance of the entire German people." This feeling was due, he added, to Jewish profiteering during the war, to the corruption scandals, to the increase in the number of Jews in the public life of the country, which in no way corresponds to the proportion of the Jewish element to the population as a whole, and to the close connection between many Jews and Communists or Marxists.

Anti-Semitism is by no means a new phenomenon in Germany. It existed in violent forms during the Middle Ages, as in all the Western countries of Christendom. In the seventeenth century, the Great Elector, who virtually founded the Brandenburg-Prussian State, distinguished himself by his toleration in an age of intolerance; he admitted a considerable number of Jews into Brandenburg from Poland and elsewhere, and gave them relatively good treatment. The same tolerant spirit was shown by Frederick the Great. These are facts which Chancellor Hitler forgot to mention when he extolled the other virtues of the Hohenzollern family in his speech at the opening of the Reichstag by the tomb of Frederick the Great.

In the nineteenth century, to be sure, social prejudice and practice virtually excluded Jews from higher offices in the army and civil service. This is one reason why Jews devoted themselves so largely to the practice of law and medicine, to literature and similar professions, and came to have a preponderance in these occupations entirely out of proportion to their total numbers, thereby arousing the *jealousy and envy of National Socialists, who selfishly covet these positions for themselves. Not long after* Bismarck's establishment of the empire, *there was formed, to add to the unfortunate multiplicity of German political parties, an anti-Semitic party.* It was composed largely of unpractical idealists and cranks who were completely out of touch with the realities of life, and especially with that gross manifestation of it which we call politics. Its propaganda and party methods had little resemblance to those of the National Socialists. It wanted to emphasize the purity of German culture by insisting on the use of Gothic type and by expunging from the language all words of foreign origin. Some of its members even insisted with a grave face that Germany would never be a healthy State till she had purged herself of her Jews, her Socialists and her Catholics —which is much the same as if a doctor should advise his patient to part with his brain, muscular tissue and heart.

To understand the anti-Semitic outbreak which accompanied the recent National revolution, it is necessary to say a word about the National Socialist party platform as it was drawn up by Gottfried Feder after the war at a time when nobody had as yet heard of Hitler. Part of it rests on the Nordic theory that the German people form a race of peculiar energy and purity with a remarkable cultural heritage of purely German character. The empire which Bismarck established and which fought against overwhelming numbers for more than four years was ultimately vanquished, Feder held, not because of defeat at the front, but by "the stab in the back," that is, by the poison of defeatism, general strikes, Communist and Socialist propaganda and Jewish influences. These poisons,

Feder said, must be removed from the body politic by depriving the Jewish or non-Aryan elements of a full share in the rights of citizens. Jews are merely to be tolerated in restricted numbers, and deprived of the power of corrupting and weakening the "pure" German mass. Accordingly, seven of the twenty-five points in the National Socialist platform aimed indirectly or directly at the Jews as follows:

IV. Only a member of our own people *(Volksgenosse)* may be a citizen. Our own people are only those of German blood without regard to confession; consequently no Jew may be a member of our people.

V. Whoever is not a citizen may live in Germany only as a guest and must be governed by laws relating to foreigners.

VI. Only citizens have the right to decide on the leadership and laws of the State. We therefore demand that every public office, of whatever sort, whether in the Reich, the States or the communes, be filled only by citizens.

We fight against the corrupting parliamentary system of filling offices with people chosen only for their party without reference to their character and ability.

VII. We demand that the State assume the burden of providing working and living possibilities for its citizens. If it is not possible to feed the entire population of the State, non-citizens must be expelled from the Reich.

VIII. All further immigration of non-Germans is to be stopped. We demand that all non-Germans who have immigrated into Germany since Aug. 2, 1914, be forced to leave the Reich.

XXIII. We demand a legislative battle against deliberate political lies and their propagation through the press. In order to make possible the creation of a German press, we demand that: (1) All editors and workers on newspapers which appear in the German language be members of our own people *(Volksgenossen)*; (2) non-German papers require the express permission of the State for publication; they may not be printed in the German language; (3) any financial participation or influence in a German newspaper by a non-German be forbidden by law and punished by confiscation of the paper as well as the immediate expulsion from the Reich of the non-German in question.

Newspapers which work against the common good are to be prohibited. We demand laws against tendencies in art and literature which have had a bad influence upon our national life and the closing of institutions which further such influences.

XXIV. We demand freedom for all religious sects in the State in so far as they do not endanger its existence or work against the customs and morals of the German race.

The party as such represents the point of view of a positive Christianity without tying itself to any particular confession. It fights the spirit of Jewish materialism in us and outside us, and is convinced that a lasting recovery of our people can only result from the inner conviction of common usefulness before selfishness.

In accordance with the purpose of this platform, Dr. Wilhelm Frick, the Reich Minister of the Interior, promulgated, on April 12, a newly decreed law which gives the legal basis for the expulsion of Jews and other "undesirables" from all branches of the German civil service. It is the most important single piece of legislation relating to office-holding which the Hitler régime has enacted. Briefly summarized, it provides that, "for the restoration of a National Civil Service and for the simplification of the administration," the following classes of officials may be dismissed from office:

Art. 2. Officials who entered the Civil Service after Nov. 9, 1918, without having completed the prescribed training and other qualifications, salary being continued for three months after dismissal.

Art. 3. Officials who are of non-Aryan descent, with the exception of officials who were already in office when the war broke out, or who fought at the front, or who had a brother or father who fell in the war. Further exceptions may be made by the Minister of the Interior.

Art. 4. Officials who, according to their political activities hitherto, offer no guarantee that they will at every moment unhesitatingly support the National State. Every civil servant is obligated to present on request complete information as to what political party he has hitherto belonged to. The political parties and groups formal membership in which is held to be a bar to civil employment include the Reichsbanner, the Democratic,

the Socialist and the Communist parties and the League for Human Rights.

As to the meaning of "non-Aryan," the new law says: "Any one who springs from non-Aryan, especially Jewish parents or grandparents; it shall suffice if only one of the parents or grandparents is non-Aryan. This is especially to be assumed if one of the parents or grandparents professes or has professed the Jewish religion. If the Aryan extraction is in doubt, the question is to be determined by investigation by an expert attached to the Ministry of the Interior and assigned to research on racial problems."

This decree is of great importance for several reasons.

In the first place, "civil officials" comprise a far greater proportion of the population in Germany than in any other country of the world, with the exception of Russia. It includes all State and local officials, as well as those directly under the central government. Nearly all the hospitals are public hospitals, all the schools and universities are public, and the banks and railways are State-controlled. Thousands of Jews are in the topmost ranks of these branches of national life and are therefore subject to dismissal except as they fall in the privileged "exception" categories specified in Article 3. Nevertheless, instances of the "exceptions" failing to function have been reported daily since the new law was adopted.

In the second place, in view of the "exceptions," the law really is only a slight change in the direction of moderation, as compared with the National Socialist official platform quoted above, by which all Jews were to be deprived of citizenship and therefore presumably to be excluded from holding any office, because the definition of Jew is extended to include any one who had either a Jewish father or mother or a Jewish grandfather or grandmother. According to the last German census there were 564,000 Jews in Germany, but with the extended definition of Jew to include any one with at least one Jewish grandparent, the number of persons subject to persecution or discrimination is considerably increased.

In the third place, this law on the dismissal of civil officials is the first fundamental and wide-reaching legislation by the Chancellor regulating the future status of Jews. Here again it might appear that, with Hitler's assumption of power and responsibility, his policy tends to be slightly in the direction of moderation and away from the brutally cruel program of his campaign slogans and denunciations, but the ever-growing number of Jews deprived of their livelihood is not a hopeful sign.

At first Hans Kerrl, the Nazi commissar at the head of the Prussian Ministry of Justice, announced on March 31 that "popular excitement over the presumptuous conduct of Jewish attorneys and Jewish physicians has reached dimensions that make it necessary to reckon with the possibility that the German people—especially in this time of a just defensive fight against Jewish atrocity-propaganda—may proceed to measures of self-help." He therefore suggested to all Jewish judges that "they ask for leave of absence" and stated that "it would be granted immediately." If they refused they were not to be admitted to the court house, all Jewish assessors were to have their commissions revoked, Jews were to be excluded from juries and Jewish attorneys and court officials were to be dismissed.

A few days later the authorities appeared to modify this sweeping policy of complete exclusion by the adoption of the *numerus clausus* principle. This

meant that there might be about thirty-five Jewish lawyers in Berlin where formerly there had been something over 2,000 in a total number of about 3,500. And the decree of April 12 on the dismissal of civil officials granted the "exceptions" noted above. The investigation of the ancestry of doubtful cases will, it has been stated, be completed by Sept. 1. Meanwhile Jewish lawyers may be restrained from practice by order of the Department of Justice, if they do not belong to one of the accepted and privileged categories.

In the case of physicians, nurses and pharmacists, classes in which the proportion of Jews is perhaps higher than in any of the other professions, the persecutions and dismissals during March and in the boycott period were particularly flagrant. In the great Urban Hospital in Berlin, for instance, it has been estimated that the Jewish personnel numbered about 5 per cent in 1914, that it had risen to 95 per cent in 1933, and that it is now being reduced to about 2 per cent. Its head, Professor Hermann Zondek, one of the greatest European specialists in internal medicine, resigned in protest, and a great number of his Jewish colleagues in other hospitals were forced to follow his example. The Nazi Commissar for Berlin announced that all Jewish physicians in the city hospitals were to be discharged, but apparently the announcement has not been rigorously carried out. In Berlin and the other larger cities private Jewish physicians will continue to have considerable practice, for even the Nazis, when ill, want the best medical attention, when they can get it unobserved. It is the Jewish doctors in the smaller towns and the country districts who are more likely to be completely ruined; all the neighbors will know it when they are patronized, and the pressure of fanatical Nazi public opinion will act as a terrible boycott.

The treatment of professors, school teachers and students has been no less harsh. During March, Nazi university students raised such an uproar against Jewish professors that a number had to suspend their classes or resign their positions. Some also were dismissed by the Prussian Minister of Education, Rust. On April 13, the day after the law on dismissal of officials was promulgated, he ordered enforced leave of absence for sixteen distinguished university professors, of whom thirteen were of Jewish extraction.

Four days later Professor James Franck, an eminent German physicist and Nobel Prize winner in 1925, resigned his professorship in Göttingen University in protest against the anti-Semitic animus of the Hitler Government.

Similar dismissals and resignations of Jewish professors have taken place in the other States outside Prussia, and at least one distinguished scholar, Professor Jacobsohn of Marburg, committed suicide. There has likewise been a driving out of Jewish teachers in the schools throughout Germany, but the exact details and numbers are not yet available.

An official statement on April 26 gave the reasons for a new law restricting the number of German Jews to be admitted to the higher schools and universities. It emphasized that the overcrowding of the liberal professions made restriction an economic necessity and that in this connection persons of non-Aryan descent must be specially dealt with. Accordingly, the substance of the new regulation decreed that no more Jews should henceforth be admitted to the German universities and the secondary preparatory schools than would constitute 1½ per cent of the total enrolment, and

that the number of Jewish pupils now attending the secondary schools must not exceed 5 per cent of the total enrolment. The restrictions do not apply to Jews of other than German citizenship.

Jewish musicians, theatre managers, artists and writers have probably aroused more resentment than any of the other Jewish professional classes. This is partly owing to the fact that instead of going about their business privately and unobtrusively, by the very nature of their work they have to come before the public. By their close association with foreigners many of them have naturally tended to become cosmopolitan in outlook and to hold internationalist and pacifist ideas, which has made them particularly obnoxious to the exalted National Socialists. Professor Einstein is a notable case in point. Many members of this class were thrown into prison or fled abroad at the beginning of the National revolution.

Eleven musicians of world fame, headed by Arturo Toscanini, cabled a protest to Chancellor Hitler against the persecution of their colleagues in Germany for political or religious reasons. In reprisal, the supervisor of the German broadcasting station directed on April 4 that no compositions or phonograph records by any of the signers of the protest should be used on any program in Germany until further notice, and it was stated that Toscanini might not again conduct the Wagnerian festival at Baireuth. Fritz Kreisler refused to associate himself with Toscanini's protest.

In business the Jews in Germany have controlled the great department stores, like Wertheim, Tietz and Karstadt, which have been an object of special detestation to the National Socialists because they tended to crowd out the small business man and shopkeeper. These department stores suffered severely during the boycott and have been forced to go through a reorganization, transferring control to Nazi commissioners and dismissing some of their Jewish employes. The small Jewish business men in the smaller towns are in a still worse position. They are being forced out of business by the boycott and by the competition of their German rivals.

Some newspapers owned by Jews have, through economic or political pressure, been suspended or suppressed. The most important, however, like the *Frankfurter Zeitung* and the *Berliner Tageblatt*, continue to appear, but without full freedom of expression. The *Frankfurter Zeitung*, for instance, has noted briefly some of the physical attacks on Jews, including several assassinations, but has refrained from comment. Where the assassins are reported to have worn Nazi uniforms, the newspaper is careful to state the possibility that they were perhaps not National Socialists at all, but Communists or Socialists disguised as Nazis—the usual Nazi exculpatory formula. The *Berliner Tageblatt*, one of the most successful and profitable liberal newspapers in Germany, was forced to undergo a reorganization. The Jewish owner handed over the paper, all its minor publications and its plant, to a newly formed company which is to carry it on under National Socialist dictation, the profits being devoted to a certain extent to a fund for war sufferers.

Although this cruel and fanatical anti-Jewish campaign has caused untold suffering—mental, physical and economic—to a small and helpless minority, we have yet to see whether Hitler's tendency toward slight moderation will prevail over Goering's desire for a continued policy of ruthlessly degrading a whole people.

China Submits to Chaos

By Ralph Townsend

[The writer of this article made a first-hand study of conditions in China while serving there in the United States Consular Service.]

To a traveler returned from China no question is more often put than, "When and how is it all going to end?" The answer is that the informed observer on the spot sees no evidence that the Chinese chaos will ever end, or at least not for many years to come.

For one accustomed to the Chinese temperament and Chinese ways it is an obviously Occidental suggestion that whatever is distressing must of necessity be transient, that improvement must soon be apparent if for no other reason than that it is urgently desirable. In China the native reaction impresses one as radically different. I cannot recall ever having seen the average Chinese display impatience over the existing state of affairs. Among the educated, such thinking as is done about the national future does not appear to be accompanied by any vigorous effort for betterment. The educated Chinese are prone to professional diagnosis and occupy themselves with scholarly discourses calculated to show to people equally scholarly and already in agreement with them that improvement would be a good thing. In fact, convincing one another of what none would dispute may be said to be the principal occupation of the educated Chinese.

As for the small shopkeepers who can read and write, the clerical employes of the big hongs, the more prosperous, independent farmers and the artisans, they apparently never take into account in their comments the likelihood or even the possibility that matters will improve during their lifetime. Better conditions, of course, they would like to see, but centuries of frustrated strivings to make life more tolerable dictate an acceptance rather than a probably futile resistance to conditions as they are. The average Chinese is a realist in a sense that all Westerners pride themselves upon not being.

The Chinese ignore impatience because, so far as they are concerned, its uselessness has been demonstrated. This view of their present plight, characterizing as it does the very class of Chinese who might by collective effort mend the present state of affairs, provides some explanation of the confusion and disorder that prevail and why this chaos is likely to continue indefinitely.

It is a sad fact that almost the only Chinese who are really doing anything in China are those doing harm. This does not disparage the activities, admirable and convincingly altruistic, of the enlightened few who are working for improvement. But their number is so small—considering the immense population as a whole—and they are so markedly without vigorous, active support that their influence seems very nearly non-existent.

Potentially this handful may be important, but such a consideration shifts the emphasis into the future. They prove in pamphlets and newspaper articles for the estimated 2 per cent of Chinese who can read that

conditions have come to a sorry pass and that self-seeking, plundering officials and ruthless war lords ought to be supplanted by men of integrity. But the readers, though quick to assent, have no more idea than the writers of challenging the power of those plundering officials and ruthless war lords. For one thing, not a single person among the educated could be convinced that his fellows would loyally support him in any collective effort. Furthermore, no one readily believes that the self-proclaimed patriot who ousted the villainous oppressors would necessarily be an improvement. Chinese history, especially since the revolution of 1911, suggests quite the contrary. The number of men who have climbed into the political saddle on high principles to stay there on low motives makes a melancholy roster. Since the so-called "leading educated group" understands these facts of China, their innocuousness is not surprising. Actually they do not form a "leading" group; they are not leading anything; tactically they are in conspicuous retreat. Those who have anything hostile to say about Canton politics are generally careful to say it in Hongkong or Shanghai or Nanking, and those who have unkind words for the moguls around Nanking are commonly prudent enough to begin by buying a ticket for the south.

In China, action and accomplishment are attributes of the official and unofficial looters. Many of these, perhaps most of them, would make a poor showing in a debate with their polished literary opponents. But they have usually come up from the ranks, which in China means from a bamboo-burden pole and less rice or beans once a day than could be comfortably eaten thrice a day. Accordingly they have the vitality born of adversity and the hard-driving spirit that are necessary in China to control the treacherous and illiterate men who constitute most of the Chinese soldiery.

Scholarship in China is emphatically separated from any cultivation of the stern and daring spirit that belongs to command. A son selected to be educated is by tradition exempt from manual labor in the home. The Chinese dislike physical exertion, and hence what they do not get by economic compulsion in the form of manual labor they do not get at all. Those who have been under foreign influence and have thus acquired a different outlook are not numerous. On the other hand, in China the calling of a soldier is one of the lowest; in the eyes of the self-respecting Chinese of the old school no commendable motives are ever associated with the profession of arms, and rightly so, when one recalls the objectives and behavior of Chinese armies. Some Chinese have absorbed Western ideas of militarism, but these families are not yet numerous enough to affect materially the grade of Chinese soldiers.

All these considerations have a direct bearing upon what at first seems the incomprehensible impotence of the right-thinking Chinese to make any headway against their wrong-thinking countrymen. To compare the physical frailty and torpor of the average student-reformer with the muscular vigor and sturdier bearing of the mountaineer bandit-soldier is to compare more than two physical types; here is a contrast between two distinctly different spirits. One is a timidly protesting spectator talking to an apathetic and skeptical audience about high-sounding but doubtful changes. The other is a positive force with a fixed purpose, however unfor-

tunate the effect upon other Chinese of the methods for attaining that purpose. The reformer has no recompense except risk, perhaps a few dollars now and then for a repetitious article in a newspaper, and the satisfaction that his utterances coincide with the ideas of Confucius, Sun Yat-sen, Jean Jacques Rousseau and Woodrow Wilson. The bandit has his promise of $10 (Mex.) a month, a rifle with which to forage among his own people for food, and the prospect of opium and loot. From these objectives and his rougher nature the soldier derives his superior positiveness. Meanwhile, the Chinese masses, complaining but cautious in voicing their wrongs, submit meekly before such exhibition of strength.

Unresponsive to appeals for collective efforts to check their oppressors, the 395,000,000 Chinese—out of a possible population of 400,000,000—constitute the most easily intimidated people in the world. Day after day, advantage is taken of this submissiveness by bandits, war lords, pirates, wholesale extortion gangs in every town and city, duly accredited provincial and central government officials and military chieftains on a scale probably never paralleled in the world's history. The magnitude of the looting and the intensity of the cruelty appal even persons well prepared by previous knowledge of Chinese conditions.

The spectacle is especially paradoxical because the Chinese have always professed, more ardently than any other people, a profound veneration for learning and a resolution to be guided by the beacons of philosophy. In the Chinese language "teacher" is a title of honor, and is applied irrespective of any tutorial relationship. The economic and social order of the country never permitted any considerable number of persons to be educated even in better days, but those whom it did were honored in a manner exceeding that accorded in Western countries to any class except royalty, and the tradition still persists. The daily speech of the people is filled with proverbs extolling learning, with admonitions to be guided by the words of educated men. But now, as frequently in the past, the efforts of the enlightened Chinese contrast feebly with those celestials whose power rests not on knowledge but on bayonets.

One must not make the mistake of believing that the educated Chinese comprise a solid bloc of righteousness in opposition to the individuals who are ruining the country. To be sure, opposition to tyrants and bandit chiefs does come mainly from the educated classes—that is, attacks through expression of opinion. But this does not mean that the sorry plight of China can be laid solely to the illiterate or nearly illiterate hoodlums who have risen to power. The looting gangs include many men who have attained to a high level of Chinese classical scholarship, and others who have been educated in leading European and American universities.

I asked a university graduate, who had just returned to China after spending ten years taking advanced work in sociology, government and what not at various American institutions of higher learning, why he proposed to identify himself with the bandit-racketeer element instead of with the reform group. He answered that he did so because under present conditions there was no other career open in China in which he could expect to make a living, and that he was merely doing what others similarly situated felt obliged to do.

In China today there are few oppor-

tunities for Chinese students who have obtained a technical or liberal arts education in America. There are a few openings in the foreign firms, but the foreign philanthropies, formerly a sort of anchor to windward in case nothing more profitable was available, have had their appropriations for teachers and other workers cut to the bone. Even in better times the usual monthly salary of $25 (Mex.), about $5 American money at recent exchange, paid in the smaller mission schools, failed to impress a Chinese accustomed to the comforts of an American college dormitory. The colleges and normal schools of the treaty ports pay better, but positions are scarce. Even $100 (Mex.) a month hardly suffices to maintain an acquired taste for American suits, shirts, typewriters, fountain pens and phonographs. Preaching, likewise, has never been attractive for its remuneration; today it is less so than ever. Those pastorates dependent upon native offerings furnish a meager and precarious living, if a living at all, while all the better ones, those assisted by foreign funds, are filled by incumbents who hold on long after their prime is past. Hence, unless the returned Chinese student belongs to a family of means, he soon finds his scruples, if he has any, put to the test. It is small wonder, therefore, that many ally themselves with some racketeer political gang, perhaps doing so with the philosophic balm that in spite of private moral lament over the decision they must adapt themselves to the predatory competition of their fellows.

According to best estimates there are at present more than 3,000,000 men under arms in China. How many of these might be called "loyal" to the Nanking Government of China, it is difficult to estimate. Certainly, at least half of them may be regarded as in opposition to Nanking, though the other half maintain a faint-hearted allegiance, except when some powerful General makes a gesture of revolt. But even the Generals of the supposedly loyal armies have little use for one another and display perpetual rivalry.

While I was in Fukien Province last year, there was much talk in the Chinese newspapers of Shanghai, and to some extent in those of America, about the sending of the Nineteeenth Route Army, the heroes of Chapei, to Fukien to fight the Communists. The troops of the Nineteenth Army did advance inland from Amoy for a short distance, but in the Foochow area they were stopped by a large army under another General, who had carved out a rich block of territory for himself in which he wanted no trespassers. This General had systematically cooperated with the Governor of the province to force the planting of opium on a vast scale. A bumper crop and attractive profits had resulted, which made it possible for him to pay his soldiers well enough to insure reasonable adherence to his standard. But his position was dangerous since he was being attacked by Communists from the mountains on the west, while menaced by the Nineteenth Route Army on the east. After several months of what amounted to a deadlock, with fighting expected momentarily, the situation was eased by the relaxation of Communist efforts on one side and the partial withdrawal of the Nineteenth Army on the other.

Every one, including the leaders at Nanking, who ordered the Nineteenth Army to Fukien, anticipated this situation. Surely nothing could be more ridiculous than sending an army to attack an enemy when progress toward the enemy was certain to be contested

by another "loyal" army. In reality, the mission was believed to be more a pretext for the transfer of Tsai Tingkai, the defender of Chapei, to a place where he would remain safely inactive for a time than for fighting the Communists.

Battles in China are seldom to a finish. The numbers killed and wounded are amazingly small, even where a defeat resembles a rout. Opposing Generals seem to be impressed more by the size of armies than by strategic considerations. In an uneasy fear that his opponent may have more troops than he has, a commander will more often than not send or receive offers of peace. Compromise is in the very marrow of a Chinese when there is a choice between fighting and buying off opposition with a little money. He lacks the blood lust, the exhilaration of conflict, which is one of the reasons why he is so greatly intimidated by the Japanese. With overwhelming odds in their favor, however, the Chinese soldiers are fiendishly merciless.

Strangely enough, the Chinese seem to remain unbelievably credulous in spite of living in the midst of continuous treachery. Generals and bandit chieftains are constantly being lured to the enemy's camp on the pretext of a compromise; there, in the presence of a table set for a feast of reconciliation, they are suddenly set upon and murdered. I know personally of two such occurrences within a few weeks of one another in one city, and I heard from time to time of others.

There is no banner under which a genuine patriot could enlist in China today with any conviction that his sacrifice would serve any purpose of bettering conditions. Unique in modern strife, the many contending armies in China now present no clash of principles. The aim of each is to maintain itself against competitors in the privileges of exploiting a downtrodden population in a particular territory. No faction displays a desperate determination to follow up an initial military success. Soldiers and bandits fraternize when their territories adjoin, and even large contending armies remain indefinitely in close proximity with nothing more than rare skirmishes that involve few casualties. Battle is provoked in most cases only when one side poaches on the preserve of the other.

The cruelty of Chinese Government officials is extreme. At Futsing last year, for example, one rascal, who had almost exhausted all other means of extortion from the population in his area, conceived the idea of seizing some of the men of the town who were believed to have money and hanging them by their thumbs until their relatives ransomed them. A number purchased freedom from torture only by large daily payments. Finally, after further conduct of this kind, the official turned his soldiers loose with permission to treat the inhabitants as they pleased. Their behavior was so outrageous that the population rose in a body and routed the soldiers—an amazing thing for Chinese peasants. The defeated official, in spite of the wide publicity that was given to his acts, was, when last heard of, still in good standing at his headquarters near Amoy.

Soon after their successful revolt the peasants began fighting among themselves. When I left the region, two months ago, they were shooting at one another across the rice paddies. In fact, most victories in China appear to result in the replacement of one tyranny by another.

Nothing in the news dispatches from China is more misinterpreted than the anti-Japanese boycott. Actually, the boycott is organized extor-

tion—a racket—sanctioned in the name of patriotism by the Kuomintang, the political party behind the central government, but operated for profit in most instances by rowdies and hoodlums. At Fukien, most of the money from the "fines" imposed on Chinese dealers found with Japanese stocks went to the self-appointed "inspectors." Sometimes the "inspectors" dragged the alleged Japanese stocks out of the shop into the street and then and there held a public auction, after which they walked off with the money while the ruined dealer and the populace looked on, not daring to interfere. Many dealers have been murdered or have had their ears cut off by these "patriots" in cases where protection money was not forthcoming.

The police will usually not protect the accused, even when he is threatened with death. In one case I met, however, they behaved more humanely. After guarding a frightened Chinese for several nights, they approached him and announced that on that particular evening there was going to be trouble, and as he could, of course, understand, they did not wish to be involved in it. Would he kindly conceal himself elsewhere for a while?

In no sense is the boycott a voluntary abstention from purchasing Japanese goods. Japanese goods meet Chinese price needs, and Chinese think first of their pocketbooks. Various Chinese told me of a prominent General in Fukien who had the monopoly for importing Japanese goods; in the name of patriotism he chopped off the heads of his surreptitious competitors. While in its avowed purpose—to injure Japanese trade in China—the boycott has been an undoubted success, it has simultaneously ruined or cost the lives of many Chinese.

Perhaps the most generally oppressive practice in China is that of farming out the taxes by districts and hsiens to the highest bidders. The successful bidder is required to return a specified amount but he may hire soldiers to collect as much in excess of that amount as he can squeeze out of an already poverty-stricken population. Since his tenure of office is certain to be brief, the collector wants to make every possible copper; accordingly his methods are ruthless. In many places the levies amount to confiscation of all that a peasant possesses; those who protest are bayonetted or shot down without further argument. One tax proclamation I saw imposed a levy upon every ten potato plants, upon pigs, opium and everything else the farmers grew.

The people at large get nothing in return for these exactions—no public school system, no police protection, no roads, except in a few limited areas where roads have been built as opium traffic highways or where a war lord feels himself sufficiently permanent to justify a strategic system of communications. In general, China's road-building program, except in some of the foreign areas, shows a striking coincidence with the main opium-growing regions. Opium is everywhere the big stake, second only to silver dollars in negotiability. Many of the soldiers are paid in opium, and military activity over most of China increases during the opium harvest when everybody scrambles for the loot.

The wonder is how the Chinese continue to survive. Naturally, a good many do not, but there is a curious equilibrium between integration and disintegration. Most Chinese live on farms or in near-by villages, producing food and small shop or hand-made goods and exchanging them with one another. Neither group is affected by distant upheavals which upset trade

balances, credit, bank collateral and the other factors in a more complicated economic order. When the peasant hears that an army is coming, he either flees with what he can carry or else stands his ground, hiding whatever is portable. When the army has passed he is left picked to the bone, but he stolidly proceeds to make a fresh start.

The lot of the Chinese in the towns is even more hazardous. The soldiers quartered there to "protect" the storekeepers from the bandits often seize much of the stock themselves, preferring town life to the rusticity of a bandit-chasing existence. Both urban and rural groups are taxed and scourged past belief. Millions are ruined every year. But the survivors tenaciously keep going with what the day offers. If the situation becomes too bad, the men try to enlist in an army, thus acquiring the privilege of turning upon their fellows. Those with means commonly try to transfer their property to one of the treaty ports, preferably Shanghai or Tientsin.

Despite all the distress there are signs in the towns of lively spending. The opium racketeers, the bandit chiefs, the successful military leaders, comprise a market, small but profitable, for automobiles, phonographs, gasoline and California canned fruit. Their women like American lipstick and perfume. They all like American jazz and moving pictures. The nation as a whole groans; the few hundred thousand who profit by the plunder feast and fox-trot; the two or three million identifiably Christian pray; and the handful of the enlightened and educated agonize in the columns of struggling weekly newspapers over a situation which they cannot alter and about the results of which no one can be optimistic.

Toward Unemployment Insurance

By I. M. RUBINOW

[The author of the following article, a recognized authority on social insurance, has many careful social studies to his credit, the most recent being *The Care of the Aged*. He was a member of the Ohio Commission on Unemployment Insurance.]

ONE result of the business depression has been to give rise to a sense of social responsibility that is distinctly new in American life. An evidence of this is seen in the demand for unemployment insurance which hitherto was voiced only by legislative cranks and academic theorists, despite European experiments with various forms of social insurance.

Current proposals for unemployment insurance in America usually refer to "compulsory State unemployment insurance," a form which originated in the British act of 1911. That legislation was based upon a detailed study of the experience, both in England and Continental Europe, gained from various forms of voluntary unemployment insurance, co-operative establishment funds and substantial government subsidies. These voluntary experiments demonstrated that unemployment insurance was possible, but that voluntary efforts were obviously so limited in scope that they were sure to remain inadequate unless extended and strengthened by legislative action. And so, beginning in Great Britain, and then spreading to other countries, a wave of legislation brought compulsory insurance schemes to some nine or ten countries.

The American movement for unemployment insurance has similar origins. Out-of-work benefits have been extended by American trade unions since 1830 and until 1914 they constituted the only systematic provision for unemployment. A few business concerns also—the Dennison Company, Columbia Conserve Company and Procter & Gamble, for instance—later introduced unemployment insurance for their employes, but by 1930 only 107,000 workingmen — hardly more than a quarter of 1 per cent of American labor — were covered by any form of unemployment benefit scheme, whether through trade unions, company funds or joint plans. Today the total certainly does not exceed 250,000.

Until Great Britain undertook its experiment in 1911 even the most enthusiastic students of social insurance assumed that by its very nature the hazard of unemployment could not be protected by compulsory insurance. The British scheme thus attracted American students of social welfare at a time when a movement to compensate for industrial accidents was spreading throughout the United States. The brief industrial depression of 1913-1914 further increased American interest in the British system, though that interest remained academic and with war-time prosperity all but disappeared. It is significant that the *American Labor Legislation Review*, published by and for enthusiasts of labor legislation and social insurance, contained scarcely a single reference either to unemployment insurance or unemployment itself from December, 1915, to December, 1920.

Once again economic depression stimulated a movement for some sort of job insurance when the wheels of industry slowed down in 1921. That year the Committee on Business Cycles and Unemployment of the President's Conference on Unemployment definitely recommended in addition to other measures "the establishment of unemployment reserve funds during periods of employment either by employers, employes or both." Bills were introduced in a few State Legislatures, notably in Wisconsin—though nothing came of them—and the American Association for Labor Legislation adopted a set of standard recommendations which are of more than historic importance because in them may be found the origin of what later became the "Wisconsin plan."

But the rapid recovery of business after 1921 and the subsequent era of unprecedented prosperity weakened public interest in unemployment and in its economic and social costs. Support for compulsory State unemployment insurance was further sapped by the conviction that a new era was at hand in which economic crises and depressions would be unknown, while unemployment would result only from personal inadequacy, occupational misplacement, seasonal irregularity, technological change, or as the result of premature retirement of workers in a system of a high industrial efficiency.

With the ending of the new era in 1929 unemployment became a social problem of major consequence and serious consideration, developing into a vital issue in the industrial States of the East and Middle West. In 1931 and again in 1933 special commissions investigated unemployment insurance in New York, Massachusetts, Ohio, Connecticut, Illinois, Pennsylvania, Minnesota, Maryland and other States. In 1929 and 1930 Senator Wagner forced the appointment of Congressional committees to study the whole subject of unemployment, its prevention and relief; special investigations of unemployment insurance followed in 1931.

In 1931, at the invitation of Governor Roosevelt of New York, the Governors of Ohio, Massachusetts, Pennsylvania, New Jersey and Connecticut met with him in a conference that presented the unusual picture of high political executives humbly listening to the exposition of unemployment insurance by theorists and professors. The outcome was the appointment of an interstate commission on unemployment insurance which, in the Summer of 1932, reported in favor of the principle of unemployment "reserves" and outlined the standard provisions of such a system.

Perhaps even more significant was the radical change of heart among the leaders of the American Federation of Labor. Under pressure of its radical wing, proposals for compulsory unemployment insurance were forced upon the attention of the convention at Portland, Ore., in 1930, and at Boston in 1931, but on both occasions were defeated. "The American workman wants a job and not a dole," remained the battle cry of the A. F. of L. and its leaders during the first three years of the depression. But in 1932, at the Cincinnati convention, emphatic endorsement was given to compulsory unemployment insurance, although it was an open secret that, in reporting unanimously in favor of this proposal, almost all the members of the legislative committee acted somewhat sullenly against their inner convictions. They had little choice, however, in the face of the growing pressure that threatened to split organized labor. Since then President Green of the A. F. of L.

has emphasized compulsory unemployment insurance as a most important feature of its program.

The legislative history of job insurance in America is brief. Only in Wisconsin had any law been adopted by April, 1933, though a bewildering variety of bills were pending in other States. Already, however, two definite types of legislation may be discerned—"reserve" and "insurance" plans, or, as they are more often called, the Wisconsin and Ohio plans.

The Wisconsin plan largely embodies the ideas of Professor John R. Commons, a great American pioneer in the study of labor problems. His influence has shaped a good deal of the thinking on the subject and has been reflected in the standard bill of the Association for Labor Legislation, in the recommendations of the Interstate Commission and in several State commissions—notably those of New York and Massachusetts. The Ohio plan has found adherents in Maryland, Pennsylvania, Michigan, Minnesota and Illinois as well as among the membership of the A. F. of L.

The Wisconsin plan starts with the idea that prevention of unemployment is more important than relief of the distress caused by loss of work. Since most unemployment results from overexpansion of industry before an economic crisis, prevention must go back to the period of apparent prosperity. But as the employe is not responsible for business mismanagement nor for the consequent loss of work, and as he cannot contribute toward the prevention of these evils, the burden must be placed squarely upon the employer. The Wisconsin plan accordingly seeks to compel the employer to regularize industry and to reduce unemployment by requiring the maintenance of an unemployment reserve to which he alone shall contribute. Regularization is made more attractive by a provision for a reduction of employer contributions on the basis of plant stability.

The Ohio plan, on the other hand, insists that the primary purpose should be to relieve distress resulting from unemployment, and is thus only a substitute for the present chaotic condition of private charity and public doles, any preventive effects being regarded merely as by-products of the system. The supporters of the Ohio plan discount the possible preventive effect of a small charge upon the employer and maintain that, while an employer may be able somewhat to reduce seasonal employment, he is as helpless as the employe when confronted with a general depression.

The Wisconsin act and measures influenced by it place the entire cost directly upon the individual employer, by requiring him to create a special reserve fund into which a contribution is made equal to 2 per cent of the payroll. Out of this reserve fund benefits are paid, equal to 50 per cent of the wages, but in any case not over $10 a week. As there is no pooling of funds or risks, no employer is responsible beyond the amount available in his own reserve fund, while provision is made for reduction of the amount or duration of benefit in accordance with the financial status of the fund. On the other hand, if the individual reserve fund has accumulated as much as $55 for each employe, the employer's contribution is reduced to 1 per cent, and if, because of the stable condition of the industry, there is an accumulation of $75 for each employe, the employer's contributions cease. It is from these provisions for reducing and eventually stopping the employer's contribution altogether that the employer is expected to receive a powerful incentive to stabilize

his plant and to reduce or eliminate unemployment.

Such, in outline, is the Wisconsin plan which may go into effect on July 1, 1933. The word "may" is used because a feature of the Wisconsin law is that its enactment did not establish a definite system. It was provided that if, by June 1, 1933, the employers of not less than 175,000 employes had voluntarily established plans, with equal standards, the compulsory law would remain inoperative. While definite information is lacking, the general impression is that so far little has been accomplished in the direction of such voluntary organization. Few plans apparently have been proposed; fewer have met the established standards. Probably the hope of a voluntary organization has broken down and the compulsory scheme will therefore go into effect on July 1, unless, as has been feared, the act is revoked in the interval because of the disappearance of La Follette influence from Wisconsin politics.

Not all these features have been adopted in the States which have taken the Wisconsin plan as their model. The optional character of legislation with the alternative between voluntary schemes and compulsory legislation is still limited to Wisconsin. They have, however, reproduced the individual reserve funds instead of insurance, the absence of employes' contributions, the definite limitation of the burden placed upon the employer, an insignificant scale of benefits and lack of any definite guarantee that even this scale will be maintained if the individual reserve fund should prove inadequate.

The Wisconsin plan should perhaps not be regarded as unemployment insurance at all, but as only a scheme for "unemployment reserves." Certainly the unscientific nature of the Wisconsin law becomes apparent when compared with the bill introduced in both houses of the Ohio Legislature. That bill would establish a State unemployment insurance fund into which all payments would be made and from which benefits would be paid. It maintains that as the benefits of the scheme are to accrue entirely to the wage earner, a part of the cost should be borne by him.

Under the Ohio plan the employer would pay 2 per cent of his payroll (at least for the first two years) and the employe 1 per cent of his weekly wage. The more generous benefits thus made possible must, after the first three weeks' waiting period, be paid for sixteen weeks. While payments are based upon 50 per cent of the wages, the maximum is $15 instead of $10, so that the total paid to any one worker throughout a year would be $240 instead of $100 as under the Wisconsin law. Moreover, this amount is guaranteed. No effort was made under the Wisconsin plan to calculate in advance the probable cost of insurance, since no guarantee is given that the scale of benefits suggested in the law must be maintained. Under the Ohio proposal the problem becomes important, because with a limited premium and a guaranteed payment, a balance between the two is assumed. The necessary actuarial computations had to face the difficulty that as yet there is no American experience of unemployment insurance and that the statistical material, on which such estimates must be based, is limited and fragmentary.

Of all the State commission reports, that of Ohio has dealt most carefully with costs. The State already possessed a comprehensive collection of data on fluctuations of employment during the last fifteen years. With the

help of such data, at least an approximation of the probable cost was possible. Since the appearance of the report, several other States, notably Pennsylvania and Maryland, have been inclined to adopt the Ohio data as a basis for their own calculations and legislative proposals. Probably it is this difficulty of computing the cost of insurance in advance that explains the popularity of the Wisconsin plan, which meets the difficulty by simply avoiding it and eliminating all guarantees from the bill. But to the worker who may find himself deprived of promised benefits because of insufficient funds, such a law may be highly unsatisfactory.

The Ohio scale of benefits has been criticized as inadequate. The chief objection is that the sixteen weeks' maximum duration of the benefits may be sufficient to meet the problem of ordinary and temporary unemployment in normal years, but fail to meet the needs created by a prolonged depression. But the moderate level of the benefit scale is not the fundamental problem of the Ohio or any other insurance plan. The Ohio commission has explained that the sixteen-week limit was necessary because the premium level is placed at 3 per cent. A 2 per cent charge upon the payroll as the employers' contribution has become so generally accepted that at present no group could propose anything larger. The fluctuations in the premium level, and therefore in the benefit scales, depend upon how much labor will be willing to contribute to a system of which it is the sole beneficiary.

Unofficial hints indicate that organized labor might agree to a contribution of 1 per cent but not 2 per cent, though the difference, both in the more generous scale possible and in more secure funds, is enormous. In the latest discussions of the plan—in Maryland, Pennsylvania and Minnesota—an equal contribution of 2 per cent from both sides has been seriously proposed.

In Minnesota, where Professor Hansen of the State University has been responsible both for the drafting and the statistical computations, an interesting deviation from the Ohio plan has been suggested. Professor Hansen argues that the real problem of unemployment in the United States is not so much the occasional loss of a few weeks work but the mass suffering resulting from a general industrial breakdown. Believing that an unemployment insurance system should be judged by the needs of the period from 1931 to 1933, he proposes an eight-week waiting period which would enable the insurance fund to compensate a smaller number of unemployed for a longer time, possibly forty weeks. Probably the bills proposed in other States will show a variety of rates of contribution and periods for benefit payments.

The Connecticut Unemployment Commission made an entirely different proposal in its report last December when it recommended the eventual enactment of a "dismissal wage" system. This system is considered preferable to the Wisconsin plan "because it does not require the creation of complicated machinery necessary to determine when the unemployed finds other work." A dismissed employe might thus receive both his dismissal wage and his new earnings at the same time. Moreover, there would be no need to maintain a complete system of employment offices, which advocates of insurance plans consider a most constructive feature. Yet the influence of the Wisconsin plan is seen even in these tentative proposals. The employer is to contribute 2 per cent of the payroll

to a fund until $75 for each employe has accumulated. The benefit proposed is half pay for nine weeks. In addition, the employe would contribute an equal amount, which would be an enforced saving to be returned to him at the time of dismissal.

Over forty State Legislatures have been in session since the beginning of 1933 and in perhaps half of them unemployment insurance bills have been introduced. On the eve of the convening of the State Legislatures, the chances for immediate action appeared good. Two years of education and propaganda, three years of bitter experience and the triumph of the Democratic party, which was committed to unemployment insurance by its national platform, promised much. Nevertheless, most of the proposed legislation seems likely to fail.

Many social groups, representing a good deal of political influence, favor some sort of unemployment insurance. Such support is found in the testimony given to the various investigating commissions, in public discussions, in the pulpit and the press. As would be expected, among the advocates for job insurance are social workers, who come in daily contact with millions of unemployed and know at first hand the havoc which unrelieved misery or inadequate relief are playing with the American standards of life and health; women's organizations and the clergy. Organized labor, through the American Federation of Labor, many independent national labor organizations, State Federations, city labor councils and local unions, as well as the large masses of unskilled labor are likewise enlisted in the fight for unemployment insurance.

In the goodly company, also, are municipal authorities which have felt the drain of public emergency relief upon municipal finance, the academic student who can appraise the influence of uncompensated unemployment upon the general wage level and upon business conditions, and a few large business corporations which, recognizing the advantages of a guarantee of workers' security upon the entire employer-employe relationship, have established private unemployment benefit schemes. Among them are a few employers of vision, like Filene of Boston or Fels of Philadelphia, who believe that profit-making alone may not constitute sufficient justification for private ownership and management.

Finally, there are political groups like the Socialists who have demanded unemployment insurance for many years; the Communists and, above all, the Democratic party with its definite advocacy and the promise of "unemployment insurance by State action."

Unfortunately this impressive array of forces does not include at least three important and powerful economic groups—employers, either in manufacturing or in trade, the professions and the farmers. Within these three groups a more or less organized opposition to unemployment insurance is to be found.

The opposition of the farmers has yet to become articulate, although the official spokesmen of the farmers have already registered many protests. Yet it is difficult to see how agricultural interests will suffer from the establishment of an unemployment insurance system for industrial labor, because all legislative proposals, except possibly those advanced by Socialists or Communists, exclude agricultural labor. Since no contribution from the State treasury is contemplated, the farmer is not affected as a taxpayer. On the contrary, in so far as the insurance plan will serve as a substitute for public relief which

falls to a considerable extent upon the farmer as taxpayer, he stands to gain by this shift of responsibility from taxable property to industry. Finally, since most of the money paid out in unemployment benefits is bound to be spent on food, a substantial market is preserved for local consumption of farm products.

The professional group has given little expression of its attitude. Yet the advantages that might accrue to doctors, dentists, nurses and other professions from at least partial maintenance of purchasing power are not insignificant. Professional incomes have suffered greatly during the depression, not only because of the inability of those already unemployed to pay for services but also because of the hesitancy on the part of workmen with jobs to spend money when apparently not absolutely necessary.

The principal active opposition to unemployment insurance comes from the employers of labor. It is chambers of commerce, manufacturers' associations and the like that have been responsible for the literature which describes the "failure" and "breakdown" of unemployment insurance schemes in Europe and makes the "dole" appear as the real and only cause of the world's economic distress. In the face of such propaganda all efforts to point out the difference between American proposals and the best known European systems have been vain. Unemployment insurance was described to Ohioans as something devilish brought in by foreigners to destroy American industry and prosperity.

There is, to be sure, an explanation and perhaps justification for the employers' opposition. Primarily unemployment insurance means a new charge upon industry, a new element in the cost of production. What the final incidence of this additional charge would be is a problem over which economists have disagreed for many years. Since industry is almost sure to bear the chief burden, employers, faced with small profits, are particularly sensitive about any additional operating expenses. But an addition of 2 per cent to the payroll would not seem to be overwhelming. Moreover, economic theory forecasts at least a partial distribution of this cost in three directions—upon wages, profits and the consumer. Distributed in this way, the burden becomes slight.

The threat of interstate competition if all States are not subject to this charge has been emphasized in debate. Prophecies are made that industry will migrate from Wisconsin to Michigan or Illinois, from Ohio to Indiana and Kentucky, from Pennsylvania to West Virginia and from New York to Connecticut or New Jersey. That the possibility of interstate competition, arising from the difference in legislative protection of labor and working conditions in adjoining States, is a real problem the advocates of unemployment insurance do not deny. They point out, however, that the conditions demanding unemployment insurance are uniform throughout the country, that the movement has already spread to a number of States, that once established in some States the movement will rapidly spread to others and that thus competition eventually may be reduced to a minimum.

A less radical and consistent opposition is expressed through chambers of commerce. Despite their interests as employers, they are concerned about unemployment because of its effect upon the purchasing power of the masses. The largest share of the unemployment benefits will neces-

sarily flow into commercial channels —to the groceries, butcher-shops, five-and-ten-cent stores and even department stores which have suffered so greatly from diminished purchasing capacity. Against the possible cost of 2 per cent on payrolls may be matched the flow of this additional purchasing capacity which, for the country at large, has been estimated for a year like 1931 or 1932 from $2,000,000,000 to $3,000,000,000. Some of the leaders in retail trade have, therefore, already come out in favor of unemployment insurance plans.

Analysis of the various interests involved thus seems to indicate that manufacturers might find themselves in a somewhat isolated position in the face of so many other groups which both for material and ethical reasons support unemployment insurance. Yet the strategic position of the manufacturers is great, particularly in times of depression when a revival of industry becomes the great hope of the masses. The force of this opposition cannot be measured by mere numbers.

Governor White of Ohio, who originally favored unemployment insurance, declared in his inaugural address early in January that under present conditions industry was in no position to carry the aditional charge and that legislation should be postponed until better times have come. The same point of view was expressed by the Joint Legislative Committee on Unemployment of New York which had studied the subject for the last two years.

These two arguments—the difficulty of inaugurating unemployment insurance at the present time and competition between States—have influenced not only employers but also legislators and the public at large. As business improvement failed to materialize during the Winter of 1932-33 and one economic emergency followed another, the prospects of immediate legislation rapidly faded. In Maryland a bill proposing unemployment insurance obtained an overwhelming vote in the Assembly but was held up in the Senate. In New York thè bills, held in committee for a long time, finally passed the Senate but failed in the legislative Assembly, notwithstanding considerable public demand and a special message from Governor Lehman. The most recent of State reports, that of the Pennsylvania commission, condemned all the proposals.

In order to meet some of these objections the advocates of unemployment insurance have offered to postpone the date of the act's taking effect for another year or until "conditions improve." Their anxiety to have bills pass immediately, even though the effect should be delayed for a year or two, is easily explained by the history of the unemployment insurance movement during the last twenty years. Ten years ago, they recall, the movement suddenly collapsed before an equally sudden upturn in industrial activity. Nevertheless, the outlook for industrial revival, even within two years, is not particularly bright, so that the demand for unemployment insurance may be even stronger by the next legislative year of 1935. But eventually, President Roosevelt has said, we shall have to come to unemployment insurance "in this country just as certainly as we have to workmen's compensation for industrial injury, just as certainly as we are today in the midst of a national wave of insuring against old age."

What Is Wrong With Modern Art?

By GENE LUX

[Mr. Lux, a scupltor, critic and lecturer, has contributed to several American and European periodicals. He will soon publish a study in the history of art.]

THE misconception underlying the question, "What is wrong with modern art?" is in itself characteristic of our age. It shows that we have come to regard art as something self-contained and detached from everyday life, pursuing a course marked out by the whim of a few artists who, very much like the dictators of fashions, decree the styles and trends of an era.

But art cannot exist independently of the world in which it lives and by some perverted impulse develop into an exotic thing. It is a product of the age from which it springs, and of necessity reflects that age. No art, modern or other, can be "wrong" in the sense that it is at variance with the civilization around it. It may be obscure or not immediately intelligible, but it cannot be wrong. Between art and the period which produced it the connection is no less real than that between vegetation and climate. No one is perturbed by the absence of palm trees in the arctics, or their presence in the tropics; local flora are accepted for what they are, and the same attitude should prevail in the world of art.

Every age has had its peculiar artistic expression. As the heroic optimism of the Greeks, the religious fervor of Gothic medievalism and the freshness of the Renaissance each found expression in a distinctive style, so our age, too, is clearly reflected in the art we call "modern." A century and a half ago, for instance, the artistic temper was represented by sentimental pastorals like those of Boucher, Fragonard and Greuze. Today the world is no longer as sentimental or as pastoral, and our art is different.

Modern art has evolved along lines parallel with the development from political absolutism to the republicanism, socialism or communism of these days. Science and invention, becoming the dominating influences of Western civilization have, since the middle of the nineteenth century, inspired a realistic art which has replaced the romanticism of the past, while the development of a new subjective psychology and its investigation of the subconscious during the post-war years have evoked the urge to portray the metaphysical in such manifestations as Expressionism, Dadaism, Surrealism and Abstractionism. The art of any period is usually a direct expression of some new and progressive idea of that period and, incidentally, is usually about a decade ahead of general acceptance of that idea.

Though the advent of simplicity and spiritual abstraction in modern art seems a natural, undebatable development, there is another view of this progress which regards it, not as orderly and natural, but as disconnected and violent. That is the view of the general public. Inherently conservative, uneducated in artistic and cultural matters, the average man or woman considers the lifelikeness of a painting or sculpture the sole measure of its quality, and is at a loss to

understand a work of art in which lifelikeness is neglected.

To most people today Leonardo da Vinci is a master and Picasso or Chirico are charlatans, simply because Leonardo painted things which everybody can see and comprehend. In his paintings an eye is an eye, a finger a finger—"just like the real thing." The later painters, it is hastily observed, do not even know how to draw a hand or a foot and have deluded a generation of critics. Quite naturally the layman regards technical skill as the entire problem of art. The question of reproduction is the one which immediately and eternally confronts him, for in his hands the pencil refuses to do the trick, and he cannot help admiring the talent that can. Realism is mistaken for art, and it is generally a difficult and thankless task to explain that a painter or sculptor of talent is above technical questions. Nor can the layman agree that art appreciation should begin with understanding that artistic expression is never determined by what the artist can do but by what he wants to express.

To illustrate the point, let us compare the conception of a seventeenth century Dutch painter and a modern when they treat the same subject. Jan Vermeer and Matisse both painted a canvas entitled "The Piano Lesson."

Vermeer's painting shows a typical Dutch interior of the time, carefully studied for the effects of light and perspective. The pattern of the tablecover is accurately indicated just as is every brass nail around the leather covering of the chair and the veining of the marble floor. A young girl is seated in front of the piano; beside her stands the teacher in a dignified pose. The canvas is a masterpiece in every detail of composition and effect. The artist's aim was to paint a beautiful picture of a typical interior, to display his virtuosity in handling the brush and achieving lifelike effects. The canvas in its absolute perfection of realism leaves nothing to the imagination. It satisfies the eye and the esthetic complex in search for harmonious beauty. While the picture is called "The Piano Lesson," one still feels that the subject was incidental to the rendering of a fine interior.

Turning now to Matisse, we find that the approach is from an entirely different angle. To Matisse the piano lesson means the feeling of a young boy unwillingly spending half an hour of his precious playtime in front of an instrument which has none of his sympathies. The canvas shows the youngster's head only, for the figure is covered by the notes and the piano. The expression of boredom and forced self-control is expressed with a few masterly strokes. Like an instrument of torture, the metronome occupies an outstanding place in the foreground. In the background abstract outlines represent an elderly lady with hands folded on her lap as she sits on a high stool and watches the boy's agonies. The wealthy atmosphere in which all this takes place is sketchily suggested by the apparent spaciousness of the room, the outlines of a finely wrought iron window rail and the impression of a piece of sculpture in the left corner.

The complacency and slow rhythm of Vermeer's painting and the speed and crispness of Matisse's piece, the flat unimaginative statement of the one and the cleverly indicated psychological background of the other, are not accidental and are not the expression of different individual tastes. What the two pictures show is the diversity of temperament and aims of the two ages in which these artists lived.

Modern masters have not forgotten how to draw a correct perspective; they simply do not care to do so. The Dutch masters of the seventeenth century, on the other hand, observed perspective as carefully as they did, not because they were born with a special gift, but because they found pleasure in its development. This fact, simple though it may be, is seldom understood. The result is that whenever realism ceases to be the chief aim of art, the public is bewildered and rebels, for it has lost its only standard of judgment—the comparison of the subject as depicted with the real thing.

This realistic criterion of "good art" has also often been applied in forming estimates of past periods of art. Thus a whole period was judged "artistic" or "inartistic," "good" or "bad" according as it was found to coincide with the sense of lifelikeness of those who passed judgment. One still comes across statements in the art histories of the past decades such as that "the Gothic (also the Byzantine) was a period of art when all classic craftsmanship and artistic ability were temporarily lost, which explains the distortions and curious proportions of figures and scenes." Today artistic abstraction fares in much the same way. Abstraction is generally regarded as a poor substitute for realism, and the predilection of the modern artist for simplified forms is suspected as an attempt to disguise his inability to render a "true-to-life" figure.

The discrepancy between art as it is produced and the everyday conception of what it should be like culminates in a complete rift between the artist and the public when the further consideration of subject-matter is involved. When asked what has an esthetic value, most people answer, "the beautiful." But for many the beautiful signifies only the classic, well-proportioned, "spiritually elevating" kind of beauty. The modern artist, on the other hand, attributes esthetic value to all things which are able to inspire thought or feeling, and it is this conception that explains the new attitude toward subject-matter. No subject is now considered to have more elevating qualities than another. The vulgarity which the idea of the "noble subject" inspired has come to a well-deserved end, and a taste for the sentimental can no longer make a master.

The Paris of 1850 denounced Courbet's naturalism. The same reaction, sometimes taking on a violent form, greeted the artists who first dared to show paintings of ramshackle neighborhoods or of misshapen human figures. It has taken many years—and general agreement has even now not been reached—to teach the public to enjoy a composition of lines, planes or colors simply because these abstractions are able to inspire thought or emotion. Only within the last decade or so has there been any approach toward the attitude that does not care whether the subject of a painting is "The Spring Dance of the Nymphs" or "The Prisoners' Lockstep." Many thousands still prefer the former, because their critical judgment is not based upon a consideration of the intrinsic merits of the picture itself. Nevertheless, the existence of this "backward" public, which is either too conservative or else too uninterested to develop an appreciation of modern art, is not the entire problem.

In any society there are two component strains or strata. To live in a community with other people, to earn the necessities of life, to understand a newspaper or movie, to drive an automobile, to sell insurance, imply a

certain status of intelligence which, in a broad way, may be called civilization. Above civilization, but growing out of it, is a fund of knowledge and sensibility called culture. Civilization is a collective thing which we all share or acquire in common, but the acquisition of culture rests with the individual. One has it in so far as one strives for some higher spiritual, moral and esthetic ideal. Civilization is like a fire that warms every one who comes within its range, while culture is like eating which each and every one has to do for himself. The simile is misleading only in one regard—while every one must eat to exist, there is no force outside the individual compelling him to acquire culture.

This difference between culture and civilization has brought about the present-day split in the otherwise indivisible edifice of art. There is one kind of art that subserves the interests of the masses of people who possess only civilization, and there is another kind that cannot or will not submit. Drama, literature, "popular" music, the industrial and applied arts, cannot exist without the direct participation and acceptance of a large buying public. Whether the voice of the people makes itself heard through the theatre box office, the best seller, popular support of a tin-pan alley composer or mass purchase of a manufactured commodity makes but little difference. Dependence upon public recognition inevitably forces the artist, for obvious reasons, to cater to the public taste rather than to fly in its face with some daring attempt at education.

On the other hand, there are painters, sculptors and musical composers who, in their devotion to culture, remain entirely independent of public influence. They need relatively few patrons to support them and absorb their limited production. Able to succeed without the plaudits of the general public, popular disapprobation can do no worse than to keep them from becoming grossly wealthy, a circumstance which never yet changed the uncompromising attitude of a true master. The independence of these artists whose work we usually classify as fine art, and their refusal to compromise with public taste have been the outstanding reasons for the breach between them and the public. It is at this group that the accusing finger points when the question, "What is wrong with modern art?" is raised.

Estrangement between art and the people of today is, however, perhaps chiefly due to the lack of a substitute for the religious or heroic feeling which inspired the art of past periods. Since the time of Luther and the triumph of the new imageless church, art has lost not only its most beneficent patron, but also a vital bond with the life of the people. In its appeal to the State art assumed the rôle of chronicler of historic incidents or of publicity agent for the great. But even this connection with the people was comparatively short-lived. The nineteenth century, which developed the modern idea of democracy, also developed the invention which was to deprive art of a great part of its popular appeal. That was photography, the improvement of which completed the rift between art and the people.

Yet there is something to be said for the attitude of the general public. Modern art, through no fault of its own, has had no great unity, for there are no generally accepted standards of cultural value from which a harmonious art may issue. The contemporary cultural scene is, indeed, a motley

affair. Extreme views in politics and religion seem to be incapable of reconciliation, while confusion reigns supreme in all our social, intellectual and moral purposes. The artist, therefore, has a titanic task to perform. In the face of a world that at best regards him with cool indifference, he must interpret a state of affairs which he himself cannot reduce to simplest terms. No one man can today catch the whole spirit of the age, for the spirit itself is divided. The artist cannot be expected to reflect a unity that all will understand when no such unity exists.

In the circumstances, the artist might well throw up his hands in despair, but if he is truly an artist, his talent cries out to be used, and he seeks desperately to express himself through his chosen medium. Either he may attach himself to a school or movement and paint in the terms of the cause he has adopted, in which case his appeal is greatly circumscribed, or else he may seek to encompass the whole scene without espousing any one cause, giving his impressions of the turbulent stream of life as it flows by. The third possibility is that he will turn away from the tumult of these days and devote himself to a past tradition or to emulation of an old master. In that case he becomes an anachronism.

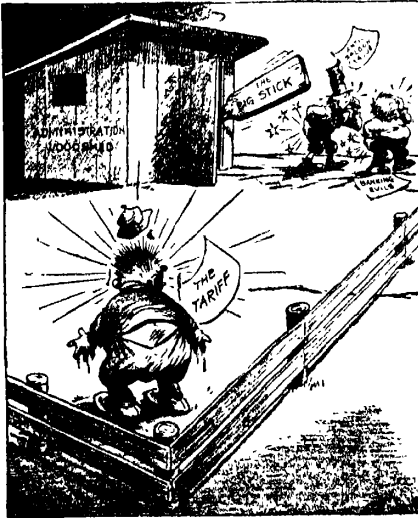
Typical of the first group in America is George Bellows, an artist of great talent whose ability and sensitiveness cannot be disputed. His circle of interest was confined not only within the American scene but to the portraiture of one particular group of contemporaries. Compare his aims with those, for instance, of Picasso, who turned to abstraction because he felt that no realism can ever express the spirit of the eternally human which he tried to convey. The figures are not individuals but types which existed in Egypt and Greece, in the periods of the Renaissance and the Baroque, as well as today. Observing their joy or pain, we feel that it touches all of us. If Bellows is comparable to a clear, sharp spotlight focused upon a section of a crowd, Picasso conveys the impression of a diffused light encircling our whole horizon.

In the art of today each group and each movement has its own criteria, and a free-for-all struggle ensues, in which the one with the strongest elbows and the most raucous voice sometimes succeeds. Originality and free expression are double-edged swords. The most primitive and worthless atrocities smeared upon a canvas or pressed into clay have been invested with high-sounding names and palmed off upon the already dubious public. Such unscrupulous creation has done much to increase the confusion and hostility of the layman, who at best finds it difficult to keep his head while viewing the spectacle.

Nevertheless, modern art is no more "wrong" than the modern world in which we live. Both try to solve their problems in their own way, sometimes by sincere effort, at other times by silly and opportunistic means. But whether the attempts are sincere or not, whether they seem mere fruitless vagaries or esoteric probings, they are all part of the evolutionary process by which man adapts himself and all that he creates to a changing environment. If modern art is "wrong," so, too, has all previous art been wrong in its own time. It is definitely modern because it cannot consciously be anything else. It is admittedly confusing because it rises out of the unsolved problems of these days. It is inevitably important because it is the token of the civilization we have made.

Current History in Cartoons

The uneasy gods
—*St. Louis Post-Dispatch*

Let's leave out the joker
—*Boston Transcript*

Next!
—*Cleveland Press*

Here it comes
—*Baltimore Sun*

In Iowa? Then where not?
—New York Herald Tribune

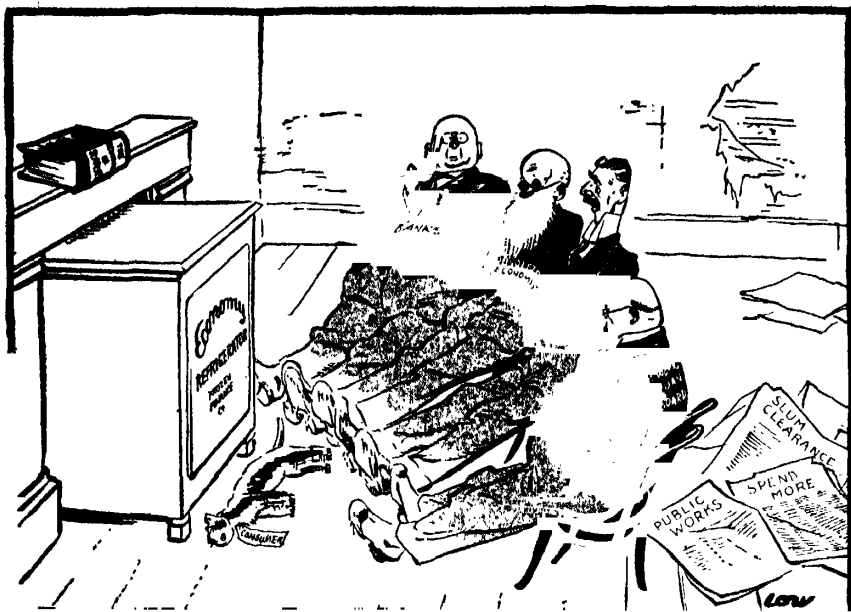
Lion and lamb together
—Boston Transcript

What to expect?
—New York Evening Post

No wonder the little fellow doesn't grow
—Philadelphia Inquirer

The Old Girl—"Something's frightening that bird again. I do hope it will clear off!"
—*News of the World*, London

World Statesman—"You've no idea, Fifi, how devoted I am to that poor, dear little wife of mine—singing out there in the rain!"
—*Daily Herald*, London

Sounds reasonable
—*Des Moines Register*

Pleasant evenings round the fireside
—*Evening Standard,* London

Spring cleaning in Germany
—*Kladderadatsch,* Berlin

Making his mark
—*Baltimore Sun*

A Month's World History

Roosevelt in World Affairs

THE taking of the initiative by the United States in an effort to aid the economic recovery of the world has been the outstanding development in international affairs in recent weeks. This step has been generally regarded as a distinct departure from the policy of economic nationalism pursued by President Roosevelt's predecessor in the White House and as an indication that the new administration has no intention of shrinking from whole-hearted international cooperation whenever it may be necessary.

Economic warfare is already in progress throughout the world, with all its grim possibilities of developing into actual armed conflict. To try to minimize these dangers, the World Economic Conference has been summoned to meet in London on June 12 and the Disarmament Conference continues its deliberations at Geneva. In the hope of enabling these conferences to yield positive results President Roosevelt began discussing the tasks before them with leading statesmen and other representatives of foreign countries whom he invited to Washington for that purpose. The first three with whom he held conversations were Ramsay MacDonald, the British Prime Minister; Edouard Herriot, former Premier of France, and Richard B. Bennett, Prime Minister of Canada.

Throughout these discussions the immediate concern has been to reach agreement on measures that could be adopted by the World Monetary and Economic Conference and, above all, as the essential preliminary to a restoration of international trade, methods to bring about currency stabilization, a problem which was given an unexpected twist when, on April 19, President Roosevelt placed an embargo on gold exports and the United States went off the international gold standard.

Soon after the President began his term of office and had met the emergency arising out of the American banking situation, the British Government initiated negotiations regarding the war debts. But the United States did not regard war debts as a primary cause of the world depression, and urged that attention be concentrated on the larger issues of general economic recovery. At this point discussion therefore turned to the preparations for the World Economic Conference.

President Roosevelt announced on April 5 that he would ask Mr. MacDonald to visit him in Washington. The following day he issued the formal invitation and also made it known that he would be equally pleased if France would designate former Premier Herriot to confer with him about the same time as Mr. MacDonald would. Italy, Germany and Japan were added to countries invited to send representatives to Washington for separate conferences on world

economic recovery and disarmament. Finally, more than fifty of the nations that are expected to be represented at the World Economic Conference were included. The one notable exception was the Soviet Union.

Mr. MacDonald reached New York on April 21. The same evening he and President Roosevelt held their first conversation, and the following day their respective economic and diplomatic experts began the task of translating into concrete terms various proposals for international economic action. That day, too, Mr. MacDonald, in a speech at the National Press Club, seized the opportunity to allay any uneasiness of peoples abroad by declaring that no nation would be "victimized" by any monetary arrangements made in discussions in Washington or London. Sunday, April 23, was spent by the President and the Prime Minister in discussing the problems of the disarmament conference while they cruised down the Potomac. On their return to the White House they held another conference, at which some of their advisers were present to report that they had agreed that the dollar and the pound should be stabilized simultaneously, though they were not in accord as to the figures that would represent true value. At a further meeting on April 24 the President, Mr. MacDonald, Sir Ronald Lindsay, Secretary Hull, officials and experts considered various problems. Agreement on these matters, it was officially stated, was reserved for the World Monetary and Economic Conference, for "it was never the purpose of the present discussions to conclude definite agreements. They were designed to explore and map out the territory to be covered."

The British war debt was at last discussed by President Roosevelt and Mr. MacDonald on April 25, and their joint statement declared that they believed that "the basis of a clearer understanding of the situation" had been laid. Nevertheless, "it would be wholly misleading to intimate that any plan or settlement is under way." Subsequently, an effort was made by the United States to negotiate a new and final settlement with Sir Frederick Leith-Ross, chief economic adviser of the British Government, who had accompanied Mr. MacDonald to Washington and remained there after the Prime Minister's departure. The ideas of the two governments, however, were too far apart even to approach a figure for consideration.

The results of the Roosevelt-MacDonald conversations were indicated in a joint statement on April 26, the day on which the Prime Minister left for home. Here were set out the practical measures required for world economic recovery. After declaring that "an increase in the general level of commodity prices was recognized as primary and fundamental," the statement listed as necessary to this end "a constructive effort to moderate the network of restrictions of all sorts by which commerce is at present hampered, such as excessive tariffs, quotas, exchange restrictions, &c."; concerted action by central banks to "provide an adequate expansion of credit" and the use of every means "to get the credit thus created into circulation"; the stimulation of enterprise by government programs of capital expenditure; the ultimate reestablishment of equilibrium in the international exchanges; "an international monetary standard which will operate successfully without depressing prices and avoid the repetition of the mistakes which have produced such disastrous results in the past"; and the improvement of the status of silver, "which is of such

importance in trade with the Orient."

M. Herriot arrived in Washington on April 23, and the following evening he and President Roosevelt held their first formal conversation, in which they were later joined by American and French officials and advisers. Security, it was evident, was once more the dominating purpose underlying all French demands, but now it was to be financial as well as political and military. Whatever agreement the United States and Great Britain might tentatively reach, the attitude of France had to be considered if any general settlement were to be achieved. According to close observers, the optimism evident among both the American and the British negotiators was primarily due to the fact that a method had been devised to reconcile the position of France with the purposes of the two other major powers. The French advisers, who had been submerged in gloom from the time that the American gold embargo was proclaimed, began to wear a more cheerful mien as the President and M. Herriot got to grips with the issues of greatest concern to France.

When M. Herriot left Washington on April 28 to sail from New York next day, a statement issued jointly by him and the President showed that, as far as war debts were concerned, nothing had been done beyond "reaching a clearer understanding of the realities of the situation," which would be of value in subsequent negotiations. Another statement on the general conversations referred to the necessity of "economic disarmament and the restoration of stable monetary conditions in an atmosphere of general security," and of "the raising of world prices by diminishing all sorts of impediments to international commerce, such as tariffs, quotas and exchange restrictions, and by the reestablishment of a normal financial and monetary situation." The statement also referred to coordination of central bank policy; remedies "to attack the menacing problem of unemployment and the stagnation of business by the execution of programs of public works;" and the status of silver.

As a preliminary to restoring economic order in the world, the United States has advocated a tariff truce during the period of the World Economic Conference. Some such proposal seems to have been made to M. Herriot by President Roosevelt during the Washington conversations and was definitely set forth by Norman H. Davis on April 29 at a meeting of the organizing committee for the conference. On May 3 the League of Nations sent invitations to sixty-six nations to attend the World Economic Conference, and in that note called attention to the American tariff truce proposals. Meanwhile, considerable opposition arose among the European powers. Though France had announced acceptance of the proposal in principle, it was with the reservation that the French Government be permitted to impose surtaxes on existing duties in order to equalize exchange differences. Furthermore, the French were insistent that Great Britain join such a truce. In England there had been no enthusiasm from the first for the American suggestion. European nations, it was said, would not accept a proposal that would interfere with negotiations for trade treaties that were already under way. During the first week of May, Norman H. Davis was in London seeking support for a tariff truce, but the outlook was not bright.

The third representative of an important country to confer with Mr. Roosevelt was Prime Minister Bennett, who came to open what promises to

be a new era in the relations between the United States and Canada. He had already anounced in the Dominion Parliament on Feb. 20 that Canada was desirous of effecting a reciprocal trade treaty with the United States. In a statement to the press correspondents in Washington on April 28 he said that nothing in the British Empire treaties made at Ottawa last year prevented mutually beneficial trade agreements with the United States. The joint statement issued by the President and Mr. Bennett on April 29, setting forth the result of their conversations, stressed finding "means to increase the exchange of commodities between our two countries and thereby promote not only economic betterment on the North American continent, but also the general improvement of world conditions."

Thus ended President Roosevelt's opening chapter of endeavor in the field of world politics and especially in preparation for the World Economic Conference.

DISARMAMENT CONFERENCE

The Disarmament Conference, after a recess of nearly four weeks, reassembled in Geneva on April 25 to begin consideration of the British draft convention which had been adopted as a basis of discussion. The convention consists of ninety-six articles, and it has been estimated that, if the conference moves steadily ahead, "it will take something like two years at the rate of an article a week—which would be good progress—to complete consideration of its text."

The first part of the convention provides for consultation between the powers, including the United States and the Soviet Union, whenever the Kellogg-Briand anti-war pact may be threatened. Discussion on April 25 was confined to amendments which had been proposed by half a dozen nations and which were for the most part opposed by Anthony Eden, the British representative, especially in so far as they tended to connect consultation with the League.

The following day the United States Government, through a statement read by Norman H. Davis, declared formally and publicly for the first time that some security measures were necessary for disarmament. It put one of them—international supervision of armaments—on the same plane as abolition of aggressive weapons, classing the two as the chief means toward disarmament, and it expressed willingness to consider the reinforcing of supervision still further as the French desire. Another security measure—consultation when peace is threatened—was accepted in principle.

Another step forward was taken on April 28 when Mr. Davis announced that the United States Government regarded the British plan "as a most valuable contribution and as a definite and excellent step" toward the ultimate objective of a general reduction and limitation of armaments, even if it did not go as far as the United States desired. The United States would, therefore, Mr. Davis added, join in resisting any amendments that would unduly weaken the British plan or that would jeopardize its "nicely adjusted balance." The declaration was regarded as evidence that the conversations in Washington were beginning to bear fruit, and that an understanding on disarmament had been reached by the United States, Great Britain and France.

The discussion became more than usually heated the same day when Rudolf Nadolny, the German delegate, presented proposals for increas-

ing his country's military strength beyond that previously demanded. The German policy was expressed in a series of amendments to the chapter on effectives, a letter discussing the draft convention as a whole, and a long speech by Herr Nadolny. Mr. Davis intervened to deplore the tone the discussion had taken and the injection into it of a spirit of "excessive nationalism." While the British and French delegates opposed the German proposals, the representatives of Italy and Hungary, hitherto Germany's strongest supporters, sat silent.

One of the demands that had been made was that the Nazi storm troops should not be counted as part of the army to be permitted to Germany under the British draft convention, and on May 1 this demand was upheld by the effectives committee of the conference by the vote of the United States, Great Britain, Japan, Sweden, Holland, Austria and Hungary against France, Poland, Yugoslavia, Rumania, Czechoslovakia and Belgium, with Italy abstaining.

THE PROPOSED FOUR-POWER PACT

The disturbed condition of Europe must have been at least touched upon in the President's conversations with Mr. MacDonald and M. Herriot. This was all the more likely because, when Mr. MacDonald had visited Rome a few weeks before, he had been strongly impressed by Premier Mussolini's peace plan, "a political pact of understanding and cooperation among the four Western European nations"—Great Britain, France, Italy and Germany. But this plan was subjected to such a withering fire of criticism and protest that, even when very considerably modified, it was still met with the strongest objection, because it was regarded as opening the door to treaty revision.

Mr. MacDonald, in the House of Commons on April 13, however, insisted that whatever treaty revision might be possible would be only through the machinery of the League. Sir John Simon, who spoke during the same debate, declared it was nonsense to say that Mr. MacDonald had been hypnotized by Premier Mussolini or that any kind of hegemony was contemplated or that there was any thought of revising this or that frontier. The only purpose was to try to devise methods whereby revision might be undertaken at some time, and in the meantime by cooperation of the four powers prevent Europe from being divided into two camps in which the great powers might find themselves opposed to one another. Nor was there any cause, Sir John Simon added, for the small powers to feel anxiety. Nevertheless, French opinion remained suspicious of anything that might even affect the status quo, while, as Professor Ogg's article on pages 368-369 shows, the attitude of Poland and the Little Entente countries, whose present territorial areas are based on the peace settlement, was no less one of apprehension.

NARCOTIC CONVENTION.

Ratification of the League of Nations convention limiting the manufacture of narcotics was assured during April. This convention, which was drawn up during 1931, required acceptance by twenty-five nations, including any four among France, Germany, Great Britain, Japan, Netherlands, Switzerland, Turkey and the United States. At the beginning of March only twelve ratifications had been received, but on April 12, it was announced that thirty-three countries, among them four which manufacture narcotics, had ratified.

America Goes Off Gold

By BERNHARD OSTROLENK

THE news on April 19, 1933, that President Roosevelt had declared an embargo on all except earmarked gold exports, thus taking the United States definitely off the gold standard and forcing the dollar to find its own level among international currencies, exploded like a bomb in world financial centres, and, of course, had startling, if not altogether surprising, effects on foreign exchange rates.

While the dollar dropped precipitately to 88.54 cents on foreign exchanges, other currencies rose, in some cases to record highs. On the New York Exchange stocks spurted from 1 to 9½ points and, reminiscent of 1929, trading reached a volume of over 5,000,000 shares. Wheat, sugar, silver and numerous other commodities made sharp advances.

President Roosevelt's action was officially attributed to the fact that the drastic deflationary measures taken in March had created a situation which, because of competition with foreign countries off the gold standard, it appeared necessary to meet with a modified currency. It was also intimated that President Roosevelt was forced to take the bull by the horns in cheapening the dollar abroad on April 19, and presenting a domestic inflationary policy in the form of the Thomas amendment to the farm bill in order to forestall extreme and dangerous inflationary measures in Congress.

While the administration diplomatically denied that going off the gold standard was in any way motivated by the hope of securing a whiphand during the coming Roosevelt-MacDonald-Herriot discussions, it was widely suspected that the President's zeal for manoeuvring himself into a good bargaining position had something to do with the announcement of the gold embargo at precisely this time.

Prominent financial leaders, as a whole, were in hearty accord with the President's action. J. P. Morgan bestowed his official blessing when he characterized the gold embargo as "the best possible course under existing circumstances." Charles G. Dawes stated that "it is the only thing that could be done * * * will have good effect on commodity prices * * * will assist in necessary readjustment between commodity prices and debts." Melvin A. Traylor said: "I am entirely satisfied with it. * * * The only way to equalize our exchange with foreign countries was to suspend gold shipments."

The next day the Thomas amendment to the farm bill, giving the President unprecedented monetary powers, was sent to Congress, thus practically assuring a cheaper dollar at home as well as abroad. Stocks continued to soar, and the volume of trading on the Stock Exchange exceeded 7,000,000 shares.

Considerable resentment was expressed in various quarters in Great Britain and on the Continent of Europe that the United States should "voluntarily" go off the gold standard, but Secretary of State Hull's formal assurance to the Foreign Offices in London, Berlin, Paris and Rome that we did not abandon the gold

standard to "get a weapon in the scheduled international conversations" helped to soothe ruffled feelings. He characterized the move as one required by circumstances and designed to enable the United States to work out an essential improvement in prices.

The dollar tumbled to a new low on May 1, when it was quoted at 81.7 cents in terms of the French franc, the severest devaluation since 1879. Sterling advanced 9¼ cents to a top price of $3.95, the dearest since Oct. 21, 1931. At that point the British Exchange Equalization Fund stepped in and drove the pound down to a closing price of $3.89. On the same day the currencies of France, Germany, Italy, Holland, Belgium and Switzerland all rose to record highs for the present monetary units. No explanation could be given for the new decline except the widespread fear in European centres that President Roosevelt intended to exercise his authority, under the farm bill, to reduce the gold content of the dollar.

A much debated question was settled when, on May 1, the Treasury refused gold export licenses to meet principal and interest payments on American securities maturing abroad. Many foreign holders refused to accept payment in currency and engaged counsel to test the Treasury's right to invalidate the familiar gold clause written into nearly all American bonds. The British press in many instances sharply rebuked the United States for failure to honor the gold clause. But the situation here differs from that affecting Great Britain's and France's dollar bonds. These governments invited Americans to invest in their securities by paying interest and principal in American dollars. The American Government floated no bonds in foreign currencies. Foreign holders of American bonds are on the same basis as domestic holders of such bonds, and to treat them differently would lead to endless confusion.

Meanwhile the agreement of the Bank of England to lend £30,000,000 for six months to the Bank of France at the low rate of interest of 2½ per cent implies that if a currency devaluation contest should develop as a result of dollar depreciation, France could be relied upon to stand with Great Britain. The loan to France is cooperative—not philanthropic. During the run on the dollar there has been a bullish demand for the pound sterling which threatened to cause a flight of French gold from Paris to London. Great Britain, anxious to peg the pound somewhere near the $3.50 level, at which it had been fairly well stabilized before we went off the gold standard, is in consequence willing to give moral support to the franc as the last major gold standard currency.

Great Britain has further tightened her control over sterling with the addition of £200,000,000 to her Exchange Equalization Fund, thus making a total of £350,000,000, which can be drawn upon to stabilize the exchange rate of the pound. When Neville Chamberlain, Chancellor of the Exchequer, asked for the increase, he assured the House of Commons that it was not to be used to force the pound down in relation to the dollar, but for the purpose of leveling up seasonal fluctuations in sterling exchange.

France has intimated that a cheapened dollar will not do much to stimulate Franco-American trade. In addition to the high tariffs and imports quotas already restricting imports into France, she threatens to impose the surtax reserved for depreciated currencies if the dollar becomes permanently devaluated against the franc.

Presidential Planning

By E. FRANCIS BROWN

If any one doubted that the United States of Franklin D. Roosevelt would be far different from that of Herbert Hoover, the uncertainty has been quickly and definitely dispelled by the amazing events since March 4. As the news has tumbled out of Washington with a rapidity that left the nation confused though happy, the most optimistic believed they saw a new America arising from the ashes of the old. Conservatives might be disturbed by the action of the administration; the stolid could remain unmoved; yet it took little shrewdness of perception to realize that America was being transformed, that the new deal was more than a reshuffle—it was a revolution.

When the present emergency has passed—and no longer is it difficult to convince Americans that it will pass—important changes in governmental procedure will have been recorded. Not even in wartime has an American President been able to obtain from Congress the grant of powers bestowed upon Mr. Roosevelt. Democratic forms, to be sure, have been observed, but they have made the President no less a dictator. To him and to his advisers by the end of the special session of Congress may have been given the control of practically all departments of American life—agriculture, industry, finance and labor. Whether this stupendous power is exercised or not, the important fact is that Congress has granted it—and what has been given once can be given again. Such an abdication on the part of Congress, even if temporary, would seem to be of great significance in American constitutional history. It becomes the more so when one discovers that Mr. Roosevelt and his advisers are working toward a coordinated State, a planned economy such as was once advocated exclusively by theorists and Marxians.

A few liberals have deplored the power now concentrated in the hands of the Executive, but their plaints have been as nothing when compared with the horrified protests from old-school financiers, industrialists and their supporters who have watched the introduction of a farm bill which its sponsors frankly admitted aimed at a "balanced social State," of legislation to regulate hours, wages and industrial production, to coordinate the railroads and to carry out a great scheme of social control in the Tennessee River valley. Yet the audacity of the Roosevelt policies compelled admiration at the same time that they struck fear into the hearts of men whose loyalty was still to the new era that ended so abruptly in 1929.

In a nation-wide radio address on May 7, the President set forth the need for "a partnership between government and industry and a partnership between government and transportation; not partnership in profits, because the profits would still go to the citizens, but rather partnership in planning and a partnership to see that the plans are carried out." President Roosevelt, to be sure, has not been alone in his belief that a planned economy is essential to recovery. Public utterances by the leading members

of his Cabinet have stated repeatedly that the new deal would include measures of social control, while the now famous "brain trust" has made no attempt to disguise its faith in State socialism as the way to avoid eventual "anarchy" and "syndicalism." Rexford G. Tugwell, Assistant Secretary of Agriculture, for instance, in his recently published book, *The Industrial Discipline and the Governmental Arts* (New York: Columbia University Press, 1933, $2.50), leaves no doubt about his faith in the desirability of Federal control and supervision of industry. These ideas of planning are no longer new, yet never have they entered so definitely into the thinking of the business man and of the higher type of white-collar worker, and never in the United States has a government introduced such vast changes as those now being proposed.

President Roosevelt, in a brief and informal speech before the Chamber of Commerce of the United States on May 4, urged industry to raise wages, to end unfair competition, and "to lay aside special and selfish interests to think of an act for a well-rounded national recovery." Several days before President Roosevelt addressed the chamber, prominent industrialists at its meetings heard P. W. Litchfield, president of the Goodyear Tire and Rubber Company, say that it had become necessary to "make substantial concessions to what we have in the past classified as the more radical school of thought." Similar opinions were to be found in addresses by Henry I. Harriman, president of the chamber, and Gerard Swope, president of the General Electric Company.

Because of the tumult accompanying the rapid pace of the administration, the public for the most part lost sight of the real meaning of the administration's measures. Few understood that new paths were being entered upon and even noisy radicals all but ceased to shout of that "social fascism" which they have professed to fear but which they apparently failed to recognize when it was at hand.

The first of the planning proposals to become law was that for farm relief. Passed by the House on March 22, the bill did not appear on the floor of the Senate for two weeks, though its provisions had not been greatly changed. (See May CURRENT HISTORY, page 206.) With the original bill was merged the administration's proposal for refinancing farm mortgages which sought to protect the farmers from immediate foreclosure and to enable them to regain some of their foreclosed property. This bill would pave the way for a uniform rate of interest of not more than 4¼ per cent on farm mortgages, and, since it would allow the exchange of private mortgages for Federal Land Bank bonds bearing 4 per cent interest, its sponsors hoped that mortgagors would fall in line with the administration's policy.

Debate on the farm relief bill was opened in the Senate on April 7 and continued for the remainder of the month. Attempts were made to extend the provisions of the bill to other than staple products, to add provision for payment of the veterans' bonus and to remonetize silver. None of these amendments was accepted, though an amendment for financial inflation was adopted with the administration's approval.

In the excitement over inflation, the farm bill was all but forgotten. For more than a year inflation has been the goal of many groups, especially those speaking for agriculture; yet the East in particular could not believe that such a policy would ever be

adopted in any wholesale fashion. Disillusionment came suddenly. On April 17, when the farm-bill amendment for the remonetization of silver was defeated by only seven votes, the strength of the inflationary forces became apparent. Possibly that defeat was assured only by whispering in the Senate cloak rooms that the administration would propose an inflationary measure of its own; certainly it then became evident to President Roosevelt and his advisers that unless immediate action were taken Congress was likely to pass an inflation bill that might not only be harmful in itself but might mark the beginning of the end of the Executive's close control of the legislature. Probably there were other factors to be considered — not least the argument by distinguished economists and business leaders that some sort of inflation alone could halt the disastrous deflationary spiral in business and the continued fall in commodity prices.

Whatever the motives, the administration moved quickly. On April 19 the President ordered an embargo on all exports of gold, thus taking the nation off the international gold standard, though in no real sense had that standard been maintained since the March bank holiday. As a result, the dollar, which for several days had been under fire on the international exchanges, depreciated in terms of foreign currency. The following day Senator Thomas of Oklahoma introduced an administration measure for "controlled inflation" in the Senate as an amendment to the farm bill.

A week of debate followed in a Senate whose members were overwhelmingly in favor of inflation. Republicans, under the leadership of Senator Reed of Pennsylvania, though their cause was doomed, assailed the administration's inflation policy and issued a public statement condemning the entire proposal. Ogden L. Mills, former Secretary of the Treasury, expressed his disapproval of the inflationary program in a public address at Indianapolis on April 28, while conservative papers the country over resorted to the classic arguments of 1896 for "sound" money. Public sentiment, however much mystified by the exact significance of inflation, stood behind the administration, and on April 28 the Senate, by a vote of 64 to 21, adopted the inflation amendment and then the emergency farm relief bill. House approval of inflation was obtained on May 3, after which the omnibus bill was sent to conference.

The inflation proposal, which alienated so stanch a Democrat as Senator Glass of Virginia, would grant the President power to expand Federal Reserve credits through open-market operations by as much as $3,000,000,000, to issue a maximum of $3,000,000,000 in Treasury notes, to reduce the gold content of the dollar by not more than 50 per cent, to fix a definite ratio between silver and gold, to provide for the unlimited coinage of silver and to accept war-debt payments up to $200,000,000 in silver. All these powers are permissive; to what extent the President would use them would probably depend upon circumstances, though both Senator Robinson of Arkansas and Lewis A. Douglas, Director of the Budget, gave assurances that inflation would not be uncontrolled.

The farm bill in its final form, carrying the inflation amendment and that for refinancing farm mortgages, embodied the domestic allotment plan as applied to wheat, cotton, hogs, dairy products, tobacco, rice and beet and cane sugar. It provided also for the withdrawal from production of sufficient acreage to cut production to

domestic needs. As an alternative to the domestic allotment or land-leasing plans, the Secretary of Agriculture was empowered to use the cost of production as a basis for determining farm-commodity values. On that point the House balked, refusing to accept that Senate addition to the original bill. Finally, the cotton in the possession of the various farm-credit agencies was to be withheld from the market until the Spring of 1934.

Without regard to the effects of inflation, that policy is emergency in nature and is only another palliative. The farm-relief bill proper, however, is a different matter. It may be full of mistakes and its administration may be blundering, but it points the way to that social control which is necessary if wheat is not to rot in Nebraska while breadlines exist in New York City.

If there is to be regulation of agriculture, there must be planning of industry; moreover, one way to limit inflation would be control of industrial expansion. Some such thinking underlay the advanced proposals embodied in the so-called Perkins bill, which provided for the grant of large powers to the Secretary of Labor for the regulation of hours of labor, control of industrial production and prescription of fair wages. This bill arose from the somewhat unexpected action of the Senate on April 6 in passing the Black bill, which aimed to limit employment to not more than five days a week and six hours a day in "any mine, quarry, mill, cannery, workshop, factory or manufacturing establishment." Industry refused to be enthusiastic at the prospect of such legislation, though the administration endorsed the principle of the bill, even if revision were necessary to make it workable.

Meanwhile, President Roosevelt had come out in support of minimum-wage legislation by calling the attention of the Governors of thirteen industrial States to the new minimum-wage act of New York State. Under consideration, also, were plans for a mobilization of private industry to cope with unemployment. From such a background came the introduction in the House of the Perkins bill, which, ostensibly to make the Black bill passed by the Senate more effective, now proposed to reduce the hours of labor, establish minimum wages and permit Federal control of production. Hearings were held by the House Committee on Labor, but so much opposition to the complicated provisions of the proposed law developed that on May 1 the administration prepared to withdraw its support.

One more specific step toward a coordinated State has been taken with the Muscle Shoals bill, which is supposed to be particularly close to the President's heart. Though ostensibly a measure to relieve unemployment and stimulate industry, it is more than that. As Mr. Roosevelt declared in his message transmitting the bill to Congress, "many hard lessons have taught us the human waste that results from lack of planning. * * * It is time to extend planning to a wider field, in this instance comprehending in one great project many States directly concerned with the basin of one of our greatest rivers. * * * If we are successful here we can march on, step by step, in a like development of other great natural territorial units within our borders."

Introduced simultaneously in both houses of Congress, the bill, on April 25, passed the House of Representatives first, receiving 306 affirmative votes in a total of 397. Business interests, especially those connected with electric power, were hostile, but with-

out avail. As passed by the House, the bill established a Board of Authority which would attempt to lease the nitrate plant at Muscle Shoals, but if this were unsuccessful within eighteen months, the government itself would begin to manufacture fertilizer. Surplus power would be sold to private power companies only after preference had been given to States, municipalities, counties and non-profit farm organizations, but distribution would be confined within a radius of 400 miles of the place of generation. The Board of Authority would possess the power to condemn existing transmission lines if purchase should fail. Under certain restrictions, additional dams and power plants may be built, but immediate completion of the dam at Cove Creek and of Dam No. 3 is authorized. A different bill, sponsored by Senator Norris, passed the Senate on May 3 by a vote of 63 to 17. Since the Norris bill was more radical than that adopted in the House, the two measures went to a conference committee.

These measures should in time help to solve, even if but partially, the growing problem of unemployment; in March, according to the American Federation of Labor, idle workers numbered over 13,000,000. Other administration relief measures were pending, most of which fell definitely under the heading of relief. Recruiting for the Conservation Corps (see May CURRENT HISTORY, page 207) commenced in April, but the enthusiasm of the unemployed for this sort of relief was not great, and the number enrolled was negligible when compared to the total of those out of work. On May 1 the Senate approved a House bill providing for the distribution of $500,000,000 in unemployment relief grants. Half the sum would be used to further State relief, while the remainder would be handled practically at the discretion of the Federal Relief Administrator created by the bill.

In any readjustment of the nation's economic life the railroads must be considered. President Roosevelt and his advisers have had under preparation almost since inauguration a bill which would offer relief to the roads. While probably the administration would like completely to overhaul the whole transportation system, the mere suggestion was enough to bring outcries from railway executives and railway labor as well as from farm organizations and other interested pressure groups. Accordingly, only an emergency measure was devised. As introduced in Congress on May 4 the bill provided for the creation of a Federal Coordinator of Transportation, would have power to exempt the roads for one year from the restrictions of the anti-trust laws, the Interstate Commerce act and other Federal or State statutes.

The President admitted that the bill was only temporary, that "a more comprehensive national transportation policy" would have to come later; apparently even a Roosevelt with untold prestige and power cannot withstand the opposition of the many interests which for their own purposes seek to prevent necessary reform.

President Roosevelt and his advisers, from their first day in office, have been concerned with various aspects of finance, a subject which the layman makes little pretense of understanding but which he feels reasonably sure contains much that is evil. Remembering with a good deal of bitterness its recent experience with investments, the public welcomed the administration's proposal for the regulation of securities which was laid before Congress on March 29.

(See May CURRENT HISTORY, page 209). A month later the bill, though reported in both houses, had become buried somewhere in the maze of Congressional procedure. Then suddenly, on May 5, the bill passed the House without a dissenting vote. A separate bill passed the Senate on May 8; differences would be settled in conference.

When the banking crisis was at its height, people believed that an immediate and far-reaching reform of the banking system and of banking practice was inevitable. Six weeks later they were not so sure. Disagreement between the Secretary of the Treasury and Senator Glass over the provisions of a banking bill, the opposition of banking interests and the apparent lack of a clear-cut policy in the administration itself sufficed to block the immediate introduction of banking reform in Congress. On May 1, Senator Glass announced that the Senate banking subcommittee had completed the drafting of a bill but awaited the administration's approval. One hitch had been over the guaranteeing of bank deposits. Meanwhile, several large banks continued plans for liquidating their security affiliates while others adopted policies which promised to give the public a little more insight into the management of bank affairs. Possibly any important banking reform must await the facts to be brought out by the Senate's investigation of Wall Street operations.

A relief measure closely related to these financial subjects was set forth in a special message by President Roosevelt on April 13, in which he asked for legislation to protect the mortgage-burdened owners of small homes. On April 28 the House passed a home mortgage relief bill, setting up a $2,000,000,000 corporation to issue government bonds bearing 4 per cent interest, which are to be exchanged for mortgages now held on homes valued at not more than $15,000. Debtors would pay off their obligations to the corporation at 5 per cent interest.

Meanwhile, the country had already felt the effect of those portions of the administration's program enacted into law. As a whole, the most pleasing event was the return of beer on April 7. In twenty-one States on that day the sale of beer had been legalized and other States took action permitting its sale during the following weeks. To many a man the rumbling of beer trucks with their loads of kegs or the chilled bottles in his own icebox typified the new deal; to business men and Treasury officials it meant something more. According to a survey conducted by The Associated Press, the Federal Government, during the first week that beer was on sale collected more than $4,000,000 in revenues; State governments were richer by at least $2,000,000. Beer also gave business a considerable fillip and afforded work for many.

The campaign for repeal of the Eighteenth Amendment has moved steadily ahead. On April 10 Michigan went on record as the first State in favor of repeal. A fortnight later Wisconsin followed suit, as did Rhode Island on May 1. In many other States arrangements have been made for the summoning of repeal conventions.

Under the power conferred by the economy act, the Roosevelt administration moved rapidly toward its goal of reducing Federal expenditures by $1,000,000,000. (See May CURRENT HISTORY, pages 204-205.) On April 12, it was estimated that $1,020,000,000 of the appropriations made by the Seventy-second Congress would not be spent. Departmental reorganization with a lopping off of many bureaus and much deadwood were to

add to the savings already achieved by salary reductions and cuts in veterans' pensions and benefits. A reduction of $144,000,000 in the War Department's budget for the next fiscal year had been outlined by Secretary Dern and, however unpleasant to army leaders, is almost certain to be accepted. The independent-offices supply bill which was pocket-vetoed by President Hoover was submitted to Congress on April 20, carrying $468,407,608 less than the measure which was passed by the lame-duck Congress. The provisions of the revised bill, permitting the President to cancel government contracts, to retire civil-service employes after thirty years of service and to place army officers on furlough was unattractive to Congress; yet there seemed little doubt about eventual enactment.

What has been the effect of all the activity at Washington upon business, which, after all, is what concerns the nation most? The Federal Reserve System has shown steady improvement in its position, its gold reserves rising from $2,892,083,000 on March 1 to $3,396,338,000 on April 26. The reserve ratio rose from 45.6 on March 8 to 62.7 on April 26, while currency in circulation dropped from $6,867,-000,000 on March 4 to $6,159,000,000 on April 22. The number of banks reopened during April had not been made public at the end of the month; in certain great cities like Detroit and Cleveland, however, banking facilities had been partially restored and closed banks were releasing some funds.

Seasonal trends, the probability of inflation and the improvement that was to be expected after the bank holiday brought about an expansion of business activity that was encouraging, though its exact meaning could not be ascertained. Commodity and stock prices soared during April. *The Annalist* commodity price index advanced from 82.9 for the week ended March 21 to 86.3 for the week ended April 25; on Feb. 28 the index stood at 79.7—the post-war low. At the same time trading on the stock exchanges of the country—in part because of the operation of pools—was extremely heavy and many issues reached high levels for the year. The general business improvement was reflected in the weekly index of business activity compiled by *The New York Times*, which rose from 50.4 for the week ended March 25 to 56.2 for the week ended April 29. In a statement issued on April 26 the Secretary of Commerce said: "Business has made steady progress since the latter part of March, and preliminary data for April indicate that activity both in production and distribution was higher than in the preceding month." In business circles everywhere a sentiment of optimism was manifest as April gave way to May.

On the other hand, the prospect of inflation alarmed many individuals whose economic training had convinced them that artificial stimulation of business through currency or credit manipulation contained the seeds of inevitable disaster. Their dire prophecies as the administration pushed its inflation proposals were disconcerting and added to the perplexity in which most of the country found itself as the result of trying to understand the technical economic policies of the government. But in the midst of confusion and uncertainty the average man clung to his faith that the good-natured, realistic President would find a cure for the nation's economic miseries.

Recent reports issued by the Department of Commerce indicate "the extremely depressed nature of economic conditions throughout the

world." The balance of international payments to and from the United States totaled $4,372,000,000 in 1932, compared with $5,508,000,000 in 1931. In 1932, exports from the United States fell 23 per cent in volume and 33 per cent in value; even so, America retained first place among the exporting nations of the world. Exports decreased from $2,424,000,000 in 1931 to $1,612,000,000 in 1932; imports declined from $2,091,000,000 to $1,323,000,000. Earnings on short and long term investments abroad were $461,000,000—only 46 per cent of the total for 1929. Immigrant remittances of $132,000,000 in 1932 contrasted with $163,000,000 in 1931; tourist expenditures fell from $456,000,000 to $375,000,000. Other items showed similar declines. While the figures told their own story, they lent support to the administration's desire to stimulate foreign trade as a contribution toward the return of some degree of prosperity.

During April the news from the West was not good. On April 11, Dr. Arthur E. Holt, Professor of Rural Sociology at the University of Chicago, said, after a tour of Wisconsin, Minnesota, Iowa and the Dakotas: "Everywhere we found farmers taking defiinte steps toward a united action in protest against existing conditions. There is developing a class consciousness among the farmers, and unless the Roosevelt farm relief measures become immediately effective, a general farm strike is certain to result." The threat of a milk strike in Wisconsin during May had been heard for some time. On May 4, 1,500 farmers assembled at Des Moines, Iowa, voted for a national farm strike to begin on May 13. Sporadic outbursts against mortgage foreclosures have continued.

An evidence of the Western temper was given in the open defiance of tl law at Lemars, Iowa, on April 2 when a crowd of farmers dragg Judge Charles C. Bradley from h court room after he had refused swear that he would not sign furth mortgage foreclosures. He was beate half-strangled and his face smear with grease. The next day the Gove nor of Iowa proclaimed martial la in Plymouth County, where the vi lence had broken out, and with three days numerous arrests had be made by the troops in seven counti in Northwestern Iowa; since the ci tribunals were suspended, those a rested faced trial by court-martial.

In Chicago, toward the end of Apr thousands of school teachers on t occasions demonstrated because the city's failure to pay their salari On April 24 they swarmed about t City National Bank, calling f Charles G. Dawes, the former Vi President and Ambassador to Gre Britain; when he appeared the ang demonstrators did not hesitate heckle him. Two days later abo 3,000 teachers clashed with the poli in the city's financial section.

On May 6 a gathering of perha 3,000 delegates, representing agric ture and urban labor, met in Was ington to write a new "declaration independence" and lay plans for active movement against the evils capitalism. The significance of th assembly is not clear, though u doubtedly there is considerable unre throughout the country — the thre of another bonus march on Washin ton is only another sign. But the is a general lack of leadership. Mor over, the absence of interest in rad cal panaceas and Marxist criticis was never more apparent than in tl May Day demonstrations, whi passed quietly as the mass of the po

ulation ignored them or looked on in amusement.

THE AKRON DISASTER

The worst disaster in aeronautical history occurred on April 4, 1933, shortly after midnight, when the U. S. S. Akron fell into the Atlantic Ocean about sixty miles south of New York Harbor. Of the seventy-six men on board, three survived.

The Akron was the largest airship ever flown and was considered the strongest and the safest. Aside from unexcelled power, speed and cruising range, which were vital safety factors in themselves, the ship was supposed to have had a structural strength and an ease in handling which made it equal to any difficulties it might have had to face. Rear Admiral William A. Moffett, chief of the navy's Bureau of Aeronautics since its creation in 1921, an authority on and an enthusiast for lighter-than-air craft and a victim of the Akron's last voyage, had insisted that she was far superior to anything previously attempted. Finally, it was manned by officers and men whose qualifications had not been questioned. Yet, within three minutes, this great craft, 785 feet long, with its 6,500,000 cubic feet of gas, was slapped down on the ocean and destroyed.

Probably no completely convincing explanation of the Akron's destruction can ever be made. Important data have been supplied by one of the survivors, Lieut. Commander Herbert V. Wiley, executive officer and second in command on the airship, who was in the control cabin during its last moments. The Akron had sailed into the centre of a violent storm and was struck by what Commander Wiley first described as a gust of extraordinary sharpness and force. He noticed immediately that the lower rudder-control rope had been carried away. In a few moments the other rudder control broke and at the same time Commander Wiley felt the structure had been damaged somewhere. During this time the ship was falling steadily from a height of 1,600 feet. Commander Wiley gave the order, "Stand by for a crash," and in thirty seconds the ship hit the water, stern first.

Subsequently, at a naval court of inquiry, Commander Wiley said that he thought that the shock he had previously ascribed to the sharp gust of wind was caused by the stern hitting the water. He maintained that the Akron had not broken in the air, nor, so far as he knew, was it struck by lightning. Whereas the Akron had taken an easterly course set by its captain, Commander Frank T. McCord, to avoid storms over land, Commander Wiley said that he would have taken a westerly course, though he admitted that there was no way of telling which way to turn.

In summing up the case before the naval court of inquiry, Judge Advocate Ralph G. Pennoyer said: "In spite of all the testimony the court has heard, it would appear that the cause must ever remain in the realm of conjecture." Referring to the criticisms of the ship's handling, he said: "If any action taken can, in the light of hindsight, be termed 'errors of judgment,' clearly they were without negligence or culpability. This disaster is part of the price which must inevitably be paid in the development of any new and hazardous art."

Meanwhile, the entire problem of lighter-than-air craft, as well as the wreck of the Akron, is to be investigated by a joint Congressional committee of non-military members.

The Cuban Terror

By CHARLES W. HACKETT
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THERE was a marked resurgence of violence in Cuba during April. Shootings, bombings, assassinations and executions were numerous as opposition to President Gerado Machado reached the proportions of a rebellion at the end of the month. Despite a rigid censorship, the deaths of nine persons in Havana and one in Santa Clara resulting from political disturbances were reported during the first two weeks of April. Captain Oscar Pau, the military supervisor of a suburb of Havana, died on April 12, six days after he had been shot by unknown assailants. Oppositionist students were blamed by the government for Pau's death and reprisals followed swiftly; the body of Carlos Manuel Fuentes, a member of the Directorio Estudiantil, was found on April 7, several hours after his arrest, with three bullet holes through the head.

A week later two youths, Abilio and Ramiro Daussa, sons of a paymaster in the Cuban Treasury Department, were shot down by government agents who invoked the dreaded flight law *(ley de fuga)* against the boys. In mid-afternoon the two boys, who were arrested after a night of terroristic bombings, were taken to a residential section of Havana, pushed out of an automobile and told to run. Sharpshooters posted on a near-by cliff opened fire on the youths, making their escape impossible. The killing of one of the youths was witnessed by the correspondent of *The New York Times* from the balcony of his residence. After the first fusillade had missed its aim the correspondent heard the boy shout, "Don't shoot any more." Despite his cries for mercy the firing continued and the boy ran barely twenty feet before he dropped dead. The same day, according to the correspondent of *The New York Herald Tribune,* the bodies of four other slain students were found. These reports were reiterated in a wireless message to *The New York Times* on April 15; at the same time the arrest of more than one hundred students was reported.

An unprecedented outbreak of bombings occurred on April 13 and 14. Cuban authorities admitted that the bombings totaled twenty-six, but, according to the opposition, the number was much larger. A child was killed, several persons were wounded and considerable damage was done to property.

There was no improvement in the Cuban situation during the last half of April. Havana police on April 19 arrested three youths, one of them the son of a professor in the National University, and confiscated an infernal machine—an automobile made into a monster bomb. The youths were charged with planning to destroy the Havana police headquarters with the "autobomb," which concealed ten bombs, in which were 350 pounds of dynamite and TNT. Two prominent adult oppositionists were also arrested on April 19 and charged

with complicity in recent bombings. The following day the bullet-riddled bodies of four youths, apparently students, were reported to have been brought to the Havana morgue.

Four revolutionary outbreaks occurred in Oriente Province on April 29. They were quickly suppressed by government forces, but not until a score of persons, including the Chief of Police of San Luis, had been killed. Four rebel prisoners were shot while "trying to escape." Upon receipt in Havana of the news of the disturbances a military censorship was placed on all press reports from the capital. Oppositionist leaders in Havana disclaimed any connection with the outbreaks in Oriente.

The sentences of death passed on four civilians after trial by court-martial on Nov. 28, 1932, but later modified, have been overruled by the Cuban Supreme Court. In a decision dated March 29 the Supreme Court held that military courts had no jurisdiction over the four civilians, who were charged with terroristic activities, and, consequently, that the entire military proceedings were void. The court directed that documents in the case be turned over by the military court to a regular criminal court for retrial. The Supreme Court's decision brought to a head a long contest between military and civil courts regarding jurisdiction over civilians. The Cuban Congress in February, 1932, passed a law bringing under military jurisdiction all persons accused of terroristic activities. The Supreme Court declared that law unconstitutional and its opinion of March 29 was in accord with this previous declaration. As late as April 3 no mention had been made of the Supreme Court's decision in the *Official Gazette*, as required by law. This led some observers to predict that the authorities would ignore the decision, as they have done in the case of other decisions.

Bills authorizing President Machado to declare a moratorium on Cuba's foreign debts and a two-year internal mortgage moratorium were signed by the President on April 3. Both bills became effective upon their publication the following day in the *Official Gazette*. The first authorizes President Machado to make such arrangements with Cuba's foreign creditors as may be necessary and to defer payments on foreign debts of $15,000,000 due on June 30. The second bill provides for a moratorium up to July 1, 1935, on the principal and interest on government services, railroads, sugar mills and rural property. Principal and interest payments above 4 per cent due on mortgaged city property are also included, as are all rents due on cane lands in cases where the cane has been left standing owing to crop restrictions now in force.

President Machado on April 10 submitted to Congress a recommendation that Havana University be forced to open for regular work next October, according to law. In his recommendation President Machado stated that the university has remained closed by action of the faculty and that in his opinion the youth of Cuba should no longer be deprived of educational facilities. The facts are that the university was closed by Presidential decree on July 1, 1931, because of the anti-administration activities of its students and professors, and has not since been opened.

Cuban conditions are being followed closely in the United States. Officials in Washington were reported to have been shocked by the account of the correspondent of *The New York Times* of the killing of two students in mid-April by Havana police. As yet there has been no move, however, that indi-

cates any intention to intervene in Cuba. Representative Fish of New York on April 16 announced his intention to demand of Secretary of State Hull that there be "diplomatic intervention to end the reign of terror in Cuba," unless the Roosevelt administration took prompt action. Two days later President Roosevelt held an hour's conference with Cuban Ambassador Oscar Cintas, who later told newspaper men that President Roosevelt had revealed a greater knowledge of Cuba than he himself had. A Congressional investigation of reported revolutionary plotting against the Cuban Government was proposed on April 21 by Representative Shoemaker (Farmer-Labor) of Minnesota.

Confiscation of American publications continues, including, according to a Havana dispatch of April 24, the May issue of CURRENT HISTORY. Similar treatment had been accorded the March and April issues of this magazine on account of the articles on Cuba which they contained.

Harry F. Guggenheim, retiring United States Ambassador to Cuba, left Havana on April 2 for Washington. On April 21 Sumner B. Welles, Assistant Secretary of State in charge of Latin-American affairs, was designated by President Roosevelt to succeed Mr. Guggenheim. His appointment was confirmed by the Senate on April 24. The choice of Mr. Welles was interpreted by some observers as presaging the speedy termination of the Machado régime, the end of martial law that has prevailed in Cuba for nearly three years and the establishment of a government that will have the support of the Cuban people generally. However, on the day his appointment was confirmed by the Senate Mr. Welles declared in a formal statement that as Ambassador he would respect the sovereignty and independence of the Cuban Republic.

AMBASSADOR DANIELS IN MEXICO

The unfriendly criticisms and hostile demonstrations that were directed against the appointment of Josephus Daniels as United States Ambassador to Mexico (see CURRENT HISTORY for May) continued to embarrass the Mexican Government up to the time he reached Mexico City on April 15, but after his arrival his tact and frank friendliness soon began to silence his critics and even win the admiration and enthusiastic endorsement of influential Mexican circles. Mr. Daniels gained a personal victory that is almost without precedent in the relations of the United States with Latin-American countries.

Mexican officials did their best to smooth the path of the new Ambassador. Foreign Minister Puig Casaurane, on April 4, vigorously repudiated criticisms appearing in Mexico City that the appointment of Mr. Daniels was an affront to Mexico because he had been Secretary of the Navy at the time of the occupation of Vera Cruz by American armed forces in April, 1914. The Foreign Minister further expressed the wish of President Rodríguez that the public should ignore the "opinions of various elements, mistaken or malevolent, in their absurd and even calumnious propaganda regarding the appointment of Mr. Daniels."

Mr. Daniels was met at Laredo, on the international border, on April 14 by a large number of Mexican secret service men, and it was reported that an armored car carrying Federal troops was attached to his train. Before reaching Monterey the train was delayed by the timely discovery of a broken rail, and on its arrival in Mex-

ico City it was met by more than two hundred police and detectives.

Mr. Daniels lost no time after entering Mexico in endeavoring to allay distrust concerning himself. In a message to the Mexican people, made public at Monterey, he stated: "Mexico and the United States, because of their commercial, cultural and diplomatic relations, cannot be enemies. I propose to work for the continuance of friendly relations." Similar sentiments, particularly addressed to students, who had been among his most vigorous critics, were expressed by Mr. Daniels upon his arrival in Mexico City. As a result, friendly editorial comment concerning Mr. Daniels began to appear in the Mexican press, and on April 17 Guillermo Ibarra, Secretary of the National Student Federation, announced that the first acts of Mr. Daniels in Mexico had "created a magnificent impression in student ranks." That same day Foreign Minister Puig Casauranc, after a forty-five-minute official call from Mr. Daniels, said that the latter had made a "magnificent impression" upon him.

Mr. Daniels formally presented his credentials as Ambassador to President Rodríguez on April 24. On that occasion he reiterated his intention "to promote the strongest ties of understanding and amity" between Mexico and the United States, and expressed the admiration of the United States for Mexico's "marked advance in social reforms, in public education, in agriculture, in transportation, in communications, and in all measures which promote the well-being of your nationals. In reply the President gave assurances of the existence in Mexico of a "friendly and neighborly sentiment" for the United States.

The treaty signed on Feb. 1, 1933, providing for the straightening and controlling of the Rio Grande in the region below El Paso, Texas, and Juarez, Chihuahua, was approved by the United States Senate Foreign Relations Committee on April 12 and was ratified by the Senate without debate on April 25. The cost of the project, estimated at $6,000,000, is to be shared by the two countries.

AMERICAN OFFICIAL IN HAITIAN FRAUD

The Department of State made public on April 13 a confession by David P. Johnson, United States Collector of Customs at Port au Prince, Haiti, that he was "guilty of defrauding the Haitian customs and accepting bribes from Zrike Brothers, importers and merchants of Port au Prince." As a result of Johnson's confession, the Department of State on April 11 advised the Haitian authorities that it would "waive Johnson's immunity as a treaty official and surrender him to the jurisdiction of the Haitian courts."

SANDINO AT WORK

General Augusto Sandino has found a new outlet for his energies since he made his peace with the Sacasa government. He is at present engaged with 1,000 of his followers in deepening a stretch of the Coco River above Cape Gracias á Dios on the Caribbean Sea, in order to provide his new colony with easy access to outside markets. He also plans to establish on the banks of the Coco River a new town, to be named, strangely enough, Sandino City. The town is to serve as a centre for the activities of the colony. The Nicaraguan Government has been generous in supplying General Sandino foodstuffs and other equipment.

Assassination of Peru's President

By HENRY GRATTAN DOYLE
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PRESIDENT Luis M. Sánchez Cerro of Peru was assassinated on April 30 by Dr. Abelardo Hurtado de Mendoza, reputed to be a supporter of the Apristas, the revolutionary group whose opposition to the President has kept Peru in a turmoil since his inauguration in December, 1931.

The attack occurred as the President was leaving Jorge Chávez Park in Lima after reviewing a dress parade of about 20,000 army recruits conscripted for service against Colombia in the unofficial war over possession of the Leticia trapezium. According to press reports the President, accompanied by Premier Manzanilla, had entered an open automobile to leave the park and the car was getting under way when the assassin succeeded in getting near enough to fire several shots point-blank. The President was hurriedly taken to the Italian Hospital, where he died a few minutes after his arrival. Dr. Hurtado de Mendoza was instantly killed by a volley from the President's guards, and two soldiers were killed and several others, as well as two civilians, were wounded in the firing which followed the attack. Later reports indicated that two of the assassin's accomplices had opened fire on the guards and had been arrested.

A "state of siege" was immediately proclaimed by the Cabinet, and Congress, hastily convened, the same evening elected General Oscar Benavides, who has been Commander-in-Chief of all Peruvian forces in the Leticia conflict, to fill out President Sánchez Cerro's term, which will expire in December, 1936.

General Benavides, the new President, had recently returned from London, where he had been serving as Peruvian Minister. He was Provisional President of Peru in 1914-15. As Chief of Staff of the army, he led a revolt on Feb. 4, 1914, against President Guillermo Billinghurst. The rebels attacked the Presidential Palace, killed the Minister of War, and arrested President Billinghurst. Sánchez Cerro, then a young officer, participated in the fighting at the palace and was credited with having turned the tide in favor of the rebels by rushing a machine-gun, attacking its operators with fists and feet and turning the gun against the defenders of the palace. In the fighting Sánchez Cerro was wounded five times. General Benavides became head of the military junta, which ruled the country after the exile of President Billinghurst, and on May 15, 1914, was elected Provisional President by the Congress; he resigned in August, 1915. Under the Leguía régime, General Benavides, an anti-Leguísta, lived in Europe.

The new President announced that he was not a member of any political party. The Sánchez Cerro Cabinet, which resigned in order to give the new President a free hand, was reappointed with only two changes; Dr. Pablo Ernesto Sánchez Cerro, a brother of the late President, became Minister of Public Works, and Dr. Luis A. Flores was appointed Minister of Marine and Aviation.

Part of the Aprista agitation against the murdered President arose from opposition to his militant policy against Colombia. The new President's course in the Leticia affair will therefore be watched with interest. While known to be inclined to conservatism, it is recalled that in his earlier military career he fought against the Colombians in 1912 in a border battle at La Pedrera, near Tarapaca. As a young man he lived for a long time in the Province of Loreto, where he doubtless shared the feeling against Colombia. On the other hand, his diplomatic experience in Europe and his known moderation are advanced as likely to mean a less aggressive policy than that of his predecessor. But it is difficult to see how, with the present state of Peruvian opinion, he can fail to continue, for a time at least, the policies of the Sánchez Cerro administration. Colombian comment, as voiced in *El Tiempo* of Bogotá, regards the new President as "mature, incomparably less arbitrary, and more deliberate than his mentally sick predecessor," and looks for "better comprehension" from the new administration.

The career of Sánchez Cerro was a colorful one. Born in Piura, the oldest city in Peru, on Aug. 12, 1889, the late President was in his forty-fourth year. His physical characteristics showed his predominating Indian blood. Graduated from the military school at Chorrillos in 1910, he served in the army until 1914, when he participated in the uprising against President Billinghurst. In 1915 he served as Peruvian military attaché in Washington. After further service in Peru he led an unsuccessful revolution against President Leguía in 1922, holding for a time the city of El Cuzco. After the failure of the revolt he was imprisoned for a time on the island of Taquila, in Lake Titicaca, and on his release went to Europe, where he served in the Spanish Foreign Legion in Morocco and studied military tactics with the French and Italian Armies. Returning to Peru in 1929, President Leguia, disregarding his advisers, restored Sánchez Cerro to his army status and placed him in command of a battalion of engineers at Arequipa. On Aug. 22, 1930, Sánchez Cerro, then a Lieutenant Colonel, led the uprising which brought about the downfall of the dictator.

As Provisional President after the fall of Leguia, Sánchez Cerro faced many difficulties, largely of his own making. His popularity, enormous at the start, steadily declined, and announcement of his decision to become the "sole" candidate for the Presidency precipitated a new revolution on March 5, 1931, in which he was displaced. A sojourn in Europe followed, and for a time Sánchez Cerro was barred from Peru by Colonel Gustavo Jiménez of the provisional junta. Efforts to rally non-military moderate elements in the electoral campaign which followed failed, and on July 3 Colonel Sánchez Cerro returned to Peru. In the Presidential elections of Oct. 11, 1931, Colonel Sánchez Cerro was successful over Victor Raúl Haya de le Torre of the APRA (Alianza Popular Revolucionaria Americana) and several other candidates.

Sánchez Cerro took office on Dec. 8, 1931, with a Congress in which he had a majority of seventy-one, the Opposition consisting of fifty-one Apristas. Strikes and rioting accompanied the inception of his administration, and agitation and disorder marked it throughout. Opposition Deputies were arrested and exiled by the iron-handed President. On March 6, 1932, an attempt was made to assassinate him in a church at Mira-

flores. Two months later, on May 8, an unsuccessful naval revolt took place; its eight ringleaders were executed. This was followed in July by a bloody four-day uprising in Trujillo, after the failure of which over forty rebels were shot. The final threat was Colonel Jiménez's revolt of March 11, 1933, at Cajamarca, which was followed by the Colonel's suicide and the execution on April 8 of five of the officers involved in the revolt.

There is no doubt that the late President was sincere in his devotion to his country, as well as in his belief that he was called to save it. His personal integrity seems to be demonstrated by the report that his estate consisted of only about $30 in cash, three or four inexpensive pieces of jewelry, and his decorations including one conferred by the Prince of Wales during a visit to Lima in February, 1930. His weaknesses were the obvious ones of his temperament and experience.

A new Constitution adopted by Peru went into effect on April 8, when the Cabinet resigned and then took the oath of office under the new Constitution, which Congress, functioning as a Constituent Assembly, had been working on for many months. The new instrument differs little from that adopted in 1920 except for a provision barring Presidents from running for re-election until an interval of five years has elapsed. Woman suffrage, contrary to expectations, was not granted under the new Constitution, but compulsory voting for all men between 21 and 60 is provided.

DICTATORSHIP IN URUGUAY

President Gabriel Terra of Uruguay on March 31 ended the tension which had existed between himself and the National Administrative Council—a commission of nine members which shares executive power with the President under the Uruguayan Constitution adopted in 1917 and effective since 1919—by dissolving the Council and the Congress and assuming dictatorial powers. A strict censorship was imposed. The President appointed a "consulting" junta of eight members to assist him in administering the country until the Constituent Assembly which he has called revises the Constitution and sets up a new administration.

The President's action followed the disapproval by the Administrative Council and Congress of the emergency measures taken on March 30. These involved military occupation of power houses, water-works, penitentiaries and so forth. Later the dictator and his junta issued decrees replacing provincial Governors with federal "interventors." Five of the members of the National Administrative Council are reported to be in prison, two to have fled to Argentina; one is a member of the new junta, and one, Dr. Baltasar Brum, is dead by his own hand.

The fate of Dr. Brum is of tragic significance. According to reports which have eluded the censorship, Dr. Brum resisted arrest and wounded two policemen sent to take him into custody. He then took refuge in the Spanish Legation, but having decided that such hiding was dishonorable, he returned to his home and shot himself on his own doorstep. Dr. Brum was probably the best-known Uruguayan in the world. He had had a brilliant public career, becoming Minister of Foreign Affairs of Uruguay when only 30 years old and serving as President from 1919 to 1923. In 1918 he was the guest of President Wilson in Washington. An eminent international jurist and political thinker, Dr.

Brum was one of the first proponents of the League of Nations idea.

The President set June 25 for the election of a Constituent Assembly to rewrite the Constitution, and when the Electoral Court, which under the Constitution supervises elections, declared his call illegal on the ground that only the National Administrative Council may constitutionally issue a call for elections, the President closed and sealed the offices of the court. It was announced later that the junta would appoint a commission of three to exercise the functions of the Electoral Court. A "Deliberate Assembly," appointed by the junta, met on May 3 to consider a program of legislation proposed by the President. This assembly, which replaces the dissolved Congress, has a membership of ninety-nine, in place of a membership of 146 in the Congress. One of its first acts was to declare the call for elections legal.

Reports of anti-Terra demonstrations and rumors of revolt in the provinces continue to seep through the censorship. A protest strike of medical students was reported to have ended on April 23.

BRAZILIAN ELECTIONS

Elections, in which 1,000,000 voters were expected to cast their ballots, were held in Brazil on May 3. The secret ballot was employed and national woman suffrage was exercised for the first time in Brazilian history. These elections were called to elect a Constituent Assembly of 214 members, the first step in the return to constitutional government, Brazil having been governed by a Provisional President, Dr. Getulio Vargas, since the revolution of October, 1930. The list of successful candidates was expected to be announced within thirty days by the Supreme Electoral Tribunal, in accordance with the government's decree setting the elections. Within another thirty days the date for convening the Assembly will be announced. The administration will probably dominate the Assembly, although there is almost certain to be opposition from Rio Grande do Sul and Sao Paulo. A movement for amnesty toward Brazil's political exiles was reported under way.

ARGENTINE AFFAIRS

President Justo of Argentina on May 2 issued a decree lifting the "state of siege" which had existed since Dec. 19, 1932, and Congress, suspended on Jan. 10, reconvened on May 3. A decree on April 28 liberated nearly all the political prisoners with the exception of former Ambassador Honorio Pueyrredón and former President Marcelo T. de Alvear, held in connection with last December's revolt.

British cultivation of trade relations with Argentina, which has been marked by the d'Abernon mission, the visit of the Prince of Wales, the return visit to Great Britain of Vice President Roca of Argentina and the work of Sir Otto Niemeyer as financial adviser to Argentina, reached an apparently successful conclusion with the signing of a foreign trade agreement between the two countries in London on May 1. The announcement almost coincided with the arrival in Washington for a conference with President Roosevelt on economic matters of Dr. Tomás Le Bretón, Argentine Ambassador to France, who, with Don Felipe Espil, Ambassador to the United States, represented Argentina in the conferences.

British Signs of Hope

By J. BARTLET BREBNER
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OBSERVERS of British affairs have found some proofs to sustain the belief that in Great Britain the economic tide has turned. The most spectacular fact cited was the rise in the pound sterling during April from about $3.40 to approximately $3.90 in New York funds. That exchange quotation, to be sure, reflected directly the public confidence in, and speculative support for, the currency of the United States, which had just confirmed foreign belief that it was off the gold standard by empowering its Chief Executive to inflate its currency by 50 per cent. In those circumstances France was turned to for a criterion, and it was found that the pound had appreciated very slightly in terms of the franc. Yet those who still argued for a fundamental improvement in the British position could point out that the franc had been kept at its level in London only by the surrender of large amounts of gold to England. This argument was unexpectedly supported by the revelation on April 28 that the French Treasury had been glad to pay 2½ per cent for a British three-to-six-month loan of £30,000,000.

The complicated technicalities of this last transaction gave opportunity for almost endless efforts at interpretation. It was related to French budgetary difficulties, to British interest in having one of the two great gold-holding nations stay on gold, and to mutual advantage in the present efforts to stabilize currency. Generally, however, it was accepted to mean that France had lost an important part of her financial independence in return for a breathing space in both domestic and international difficulties. In London, where abundant short-term money had been earning only about 1 per cent, there was an added satisfaction in the prospect of bringing home some sterling from the Bank of France.

It was obvious, however, that broad daily fluctuations in exchange prevented it from serving as a means of diagnosing British economic health. April statistics provided more modest, but apparently unmistakable, signs of returning strength. The February improvement in employment continued during March, when the number of registered unemployed fell by 80,454 to a total of 2,776,184. While this was still about 200,000 more than for the previous year, there was an increase of 103,000 in the number of employed.

Reports from industry were also encouraging, improvement being shown in the engineering trades, building, woolen textiles, shipping work, iron and steel. Coal mining and cotton textiles slumped, but during April it was apparent that the improvement in the heavy industries reflected increased demands from secondary industry, as well as export possibilities. After long preparatory efforts, moreover, important sections of the steel and the woolen industries reached agreement on plans for consolidation of control, manufacture and sales.

Foreign trade statistics for the month of March, which happened to

be the first which could give a twelvemonth basis for comparison under the protective system, were also encouraging. Exports were £36,534,000, as compared with £36,620,000 in March, 1932; imports £56,346,000, as compared with £61,181,000, and the trade deficit £19,812,000, instead of £24,561,000.

Yet mercantile interests, which had been congratulating themselves on building up exports by maintaining the pound at about $3.40, were suddenly saddened by the inability of even the enlarged exchange equalization fund to keep the pound down. They were not greatly consoled by the fact that most other currencies rose with the pound against the American dollar. During the last half of April, however, Walter Runciman, President of the Board of Trade, somewhat heartened them by revealing the terms of the new trade treaties with non-Empire countries which the government had been promising ever since the Ottawa conference.

The first of these reciprocal agreements was with Germany. Last year the importation of British coal was cut from about 200,000 tons per month to 100,000. The new treaty set the minimum at 180,000 tons, with increases proportionate to any general increase in German consumption. The British concession was in reduced duties on small manufactured articles. A similar agreement with Denmark (with Norway and Sweden soon to follow) involved British steel and Danish agricultural products. A treaty with Argentina has been drawn with direct reference to the Ottawa agreements, although it makes no provision for wheat. Argentinian chilled beef or frozen meat imports were not to be restricted below the Ottawa levels except in a price emergency, when the United Kingdom bound itself to consult with Argentina, the Dominions and the chief meat-exporting countries, all of whose quotas were to be cut in the same proportion. In return Argentine credits arising from sales in the United Kingdom were, with some minor exceptions, to be devoted to "current requirements of the United Kingdom," i. e., to thawing frozen British credits to Argentina. A mutual general agreement on tariffs and quotas was to be completed by Aug. 1, 1933.

It was against this setting that two other phenomena had to be judged—the enormous additions to British gold reserves which accompanied the British effort to keep the pound low and stable, and Neville Chamberlain's budget for 1933-34.

On Jan. 12 the gold reserve of the Bank of England stood at £120,544,000, its lowest point since 1920. By April 27 it had risen to £186,857,000, its highest point in history. This 55 per cent increase in ten weeks aroused much speculation. It was calculated that of the $330,000,000 acquired since the first of the year something over half had been drawn from France, but certainty was impossible because of the unrevealed character of the cooperation between London and New York.

It was clear that Great Britain could go back on the gold standard whenever she liked, but it was equally clear that no one could establish the proper ratio of the pound, the dollar and the franc. Sterling prices of wholesale commodities offered no clue, because, apart from their daily fluctuations, they had been at their lowest since 1913 in March, and had continued to decline until about the middle of April, when they began to rise, apparently in about the same degree as gold-commodity prices.

Neville Chamberlain's budget of

April 15 was "safe." The apparent deficit for 1932-33 was £32,000,000, which could be reduced to a real deficit of £8,500,000 if capital reduction of debt were taken into account, and which would have become a large surplus but for the much-debated December payment to the United States. Cheap money had saved £17,000,000 and conversions promised a saving of £38,000,000 in future years.

The Chancellor expected a surplus of £1,300,000 in 1933-34, despite a probable fall in revenue. The income tax has already declined and the penny taken off the pint of beer means a reduction in excise income which a penny a gallon on heavy oils will not begin to balance. Other new taxes, such as that on heavy road vehicles, will not be very remunerative. A saving of £32,000,000 in expenditures, chiefly from economies in the Ministry of Labor, is anticipated. No provision was made for payments into the sinking fund or for war-debt payments or receipts. The Chancellor drew attention to the fact that the cessation of debt payments had come at the time when the former heavy British losses in this exchange were about to be balanced by greater receipts than obligations.

Sir E. Hilton Young, Minister of Labor, on April 12 at last provided some idea of the government's unemployment policy. His speech was vague and general. He spoke of the Conservative long-run plan as requiring perhaps ten years to establish, but he promised a comprehensive outline "before the end of the session," and a new proposal for local poor relief before the end of the year. In general, he committed the government to responsibility for (and control of) assistance for all the able-bodied unemployed who had ceased to qualify for the benefits of the insurance system. The scheme was to combine, with cash relief, physical and mental training so as to avoid human deterioration. The relations and functions of central and local government were to be redefined, in the expenditure of both central and local funds. His remedy for the shocking conditions in the "depressed areas" was grants from the Treasury to the local authorities during 1933 for redistribution in terms of need, if local cooperation could be secured.

The vigorous young Left Wing of the Independent Labor party, which some time ago seceded from the Parliamentary Labor party, split into two further fractions on April 16 after forcing a vote on relations with the Communist International of Moscow. By a vote of 83 to 79 it was decided to petition for a working agreement. The two by-elections of the month showed a continued small decline in Conservative favor with the electors.

IRELAND ABOLISHES THE OATH

On May 3 the Irish Dail, by a vote of 76 to 56, for the second time passed the bill abolishing the oath of allegiance to King George, and it thus became law. President de Valera, during the stormy session at which the vote was taken, said: "With the removal of the oath the constitutional authority of the Free State will be respected as never before, by people who have regarded the oath as an imposition. * * * There is nothing now to prevent them looking for a republic of all Ireland." At the annual Easter political celebrations, the Irish Republican Army had demanded proclamation of the republic immediately, but President de Valera replied that his method was the gradual elimination of the forms which stood between the Free State and republican status so that soon the proclamation would

be merely an automatic declaration.

The £4,677,000 of suspended annuities entered the Treasury for ordinary purposes on March 30. The financial statement of March 31 was held to be better than was expected.

While affairs can hardly be said to have been quiet in the Irish Free State, no new developments have arisen except perhaps the church campaign against communism. The so-called "communistic menace" was hard to estimate. Connolly House, the Dublin Communist headquarters, was attacked by a mob and burnt on March 29. The workers of the Southern Railway repudiated their union and called a lightning strike on April 10, five days after the railway wage troubles had apparently been ended by a general settlement for a 7½ per cent reduction. This strike, which collapsed in two days, was blamed on Communist agitators.

MR. BENNETT AT WASHINGTON

Canadians were pleased by President Roosevelt's invitation to their Prime Minister to succeed Ramsay MacDonald as a guest at the White House. Only after Mr. Bennett's departure from Washington did the importance of the negotiations begin to emerge. Secretary of State Cordell Hull and Under-Secretary William Phillips were anxious for a commercial agreement with Canada, and it now appears that the Canadian Legation at Washington, under W. D. Herridge, Mr. Bennett's brother-in-law, had prepared the complete Canadian case for tariff readjustments, and that negotiations advanced as far as the President's existing powers made it worth while to go.

Canada has asked for admission of her lumber, copper, oil, live stock, potatoes, dairy products, fish and coal to American markets. Her chances seemed best for the first three or four. In return she has been pressed to ease the entrance to Canada of American manufactured and semi-manufactured goods, notably motor-car materials, electrical equipment and chemicals. There was plenty of room for adjustment on both sides without disturbing the Ottawa agreements, for trade between the two countries had declined during their tariff war faster than the average decline of their foreign trade. Moreover, there seemed to be a good prospect of basic agreement on the part of the United States, Great Britain and Canada at the World Economic Conference.

Finance Minister E. N. Rhodes spent a somewhat harassed month guiding his budget provisions through Parliament. (See May CURRENT HISTORY, page 222.) He had to accept a number of modifications and was repeatedly exposed to British as well as Canadian objections to his exchange-dumping-customs duty and his proposal to levy a 5 per cent tax on interest paid to foreign holders of Canadian securities. He had the good fortune to see the British pound rise well above the $4.25 mark in Canadian funds, which he had established as a base for the dumping duty, so that that surcharge was abolished on April 28. He issued an explanation of the 5 per cent tax on March 31, but the subject was still so obscure that a month later Neville Chamberlain admitted to the British Parliament his inability to be sure about it. On the other hand, Mr. Rhodes vigorously defended himself against the clamor for greater economy by showing that even if all controllable expenditures were abolished, uncontrollable items would force an annual deficit of $26,000,000.

The Dominion and the Provinces have been sorely tried financially. The

Federal Treasury has taken the four Western Provinces under its wing so far as their obligations in interest and capital maturing abroad are concerned. It has also helped them to deal with unemployment. This preservation of the national credit contributed to the decline of the Canadian dollar against gold, the suspension of gold redemption of Dominion notes and the prohibition of gold exports except under license. Actual conditions were obscured by the closing of the free gold market in the United States; no longer was the New York rate on the Canadian dollar a gold rate. April saw the substantial beginning of Canadian sales of gold in London because it proved profitable to the Treasury to sell gold there and convert the sterling into American dollars to meet Canadian obligations in New York. The rise in the Canadian dollar from about 82 cents to about 88 cents in New York greatly helped in meeting Canadian debts there, but it rose at only about half the rate of the improvement in sterling.

Meanwhile, the Dominion was forcing the dependent Provinces to cut their expenditures, to find new sources of revenue and to accept a measure of federal supervision of their budgets. Another symptom of the times was the existence of mortgage moratoria of various kinds throughout the Dominion, where the burden of debt proved insupportable under the existing scale of prices for commodities.

Agriculture welcomed the rise in near wheat futures from about 50 cents to about 60 cents. The opening of the Great Lakes and St. Lawrence to navigation accelerated the already high rate of grain exports. The rise in gold prices of base metals and silver was another encouraging factor. The newsprint industry was seriously depressed by the definite outbreak of a price war designed to eliminate the weakest producers, but there were some signs of what might be a saving increase in consumption.

Trade figures for March were poor in spite of a continued trade surplus. As compared with 1932, exports were $36,579,000, as against $39,749,000, and imports $32,851,000, as against $57,448,000. Exports to Great Britain showed a great increase, but reciprocal imports were much smaller.

Trade with the United States continued to show a tremendous contraction. For the year ended March 31 the total external trade was only 76 per cent of 1931-1932, but a surplus of $67,693,483 somewhat softened the blow.

AUSTRALASIAN AFFAIRS

In spite of the best efforts of the federal government, Western Australia, on April 8, voted 2 to 1 by referendum to secede from the Commonwealth. The largest, remotest and most thinly populated State felt that its primary enterprises were being sacrificed under the protectionist system and that its meager legislative representation was being ignored. But in the State elections, the government, which favored secession, lost to the Labor party, which had opposed it. Since there seems to be no legal device to bring about secession, the movement may end with the gesture. At any rate, Mr. Lyons has proposed the creation of a commission to investigate the disabilities of Western Australia, South Australia and Tasmania, all of which have suffered from the rise of federal authority.

Public finance has continued to be buoyant and the recent rise in prices of wheat and wool has increased Australian confidence.

Contrary to all expectations, J. G. Coates, Prime Minister of New Zealand, was able to announce on April

28 that he had a small financial surplus for the past year.

THE INDIAN REFORMS

The proposed new Indian Constitution has been subjected to such a variety of attacks that one can only conclude that it is a rough compromise between diametrically opposed opinions. British Conservatives and Indian Princes somehow manage to see in it the dreadful surrender of authority to democracy at the same time as the British Labor party and the Indian Congress party regard it as a monumental sham of self-government. Only a few neutrals have ventured to commend it at all wholeheartedly. Every Indian association, which has formally considered it, has entered objections and there seems to be a real danger that not enough of the Indian Princes will support it to authorize the federation.

Perhaps the safest way to estimate its desirability is to quote from the remarks made in March by Sir Tej Bahadur Sapru, a respected Indian moderate, who said: "It must be recognized that the proposals of the government cannot be described in any sense of the term as being based on agreements arrived at at the Round-Table Conference." He and others were frank to say that neither would the new India be a self-governing Dominion nor had it any assurance whatever of development toward that status.

The Legislative Assembly at Delhi, a sober, reactionary body, according to Congress standards, debated and passed a resolution on March 31 that unless the reform proposals were substantially amended it would not be possible to insure the peace and progress of India. The Chamber of Princes, after an unreported session, produced rather unintelligible but condemnatory resolutions. The retiring Chancellor, Maharajah Jam Sahib of Nawanagar (who died a few days later) spoke like a reactionary English Conservative about kingship being swallowed up by democracy in a central government greedy for power.

In India the Congress press was simply contemptuous. Their nearest counterparts in England, the Labor Opposition, repeated Indian criticisms. Major C. R. Attlee, for instance, told the Commons that the whole idea of Dominion status had completely gone and had disappeared even as an ultimate goal. Meanwhile, the British members of the joint committee of Parliament have been chosen with the Indian representatives still to be named.

By means of hundreds of temporary arrests the Indian Government prevented the meeting of Congress planned for Calcutta on April 2. Indian industrialists were perturbed over the flood of Japanese goods following the fall in the yen. An anti-dumping act was passed at Delhi on April 12, but it cannot be effective against Japan until the expiration of the commercial treaty six months hence. There were no outstanding signs of popular economic betterment, though the government's financial position continued to be strong, thanks to gold exports.

Gandhi has almost conspicuously dissociated himself from the constitutional strife. He crowned this policy by announcing on April 30 that he would begin on May 8 a "three-week unconditional, irrevocable fast" to draw attention again to his campaign against Untouchability and the caste system. He described it as "a process of self-purification," but he made no demand, satisfaction of which would serve to dissuade him, nor were his friends able to discourage him.

France Faces a Deficit

By GILBERT CHINARD
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AFTER nearly a year's discussion, the French Chamber of Deputies finally agreed on a budget reducing the estimated deficit for the current year from 14,000,000,000 francs to 4,178,000,000. Expenditure for 1933 was estimated at 50,092,000,000 francs and revenue at 45,914,000,000. Part of the deficit was to be met through a credit of 3,500,000,000 francs which would be applied to amortizing the public debt. The remainder was to be found by issuing Treasury bonds. Unsatisfactory as this solution was, it was not yet definitive; the budget had still to be discussed by the Senate and could not possibly be approved there before the end of May. Drastic cuts were made in the expenditures and it was expected that the Senate debates would be long and acrimonious.

Premier Daladier, in seeking to prove that France had every intention to reduce her armaments to the greatest extent compatible with her security, declared that the appropriation for military defense had been reduced from nearly 9,000,000,000 francs in 1932 to slightly more than 6,000,000,000 for 1933. The navy estimate of 2,839,838,570 francs was nearly 375,000,000 francs less than in 1932, and the appropriation for the air forces represented a decrease of nearly 419,000,000francs. While reductions in expenditures occurred throughout the budget bill, an attempt was to be made to find additional revenue, especially by reducing the extent of income-tax evasion. In the future the number of servants, house rent and the number and horse power of au mobiles are to be used as indices which declarations of income are be checked.

As the pinch of the depression grown sharper, dissatisfaction found a voice in many quarters. French Chamber of Commerce, at last regular meeting, expressed alarm over the economic situation failed to propose definite remec Following the example of the sl keepers of Paris, the miners of No ern France went on a three-day perimental strike, asking for sho hours and increased pensions, with changed wages. This was a peac "manifestation" and the mine owı cooperated with their employes voluntarily closing their mines. M serious and prolonged was the lo out of the Citroen automobile fact in Paris, employing 21,000 work which was precipitated by the nouncement of a 10 per cent wage duction. It lasted three weeks ended when a majority of the ployes accepted a less drastic 6,000 of them, however, refused to turn to work and some disor around the plant required police tection. The students of the Uni sity of Paris added to the unrest declaring a strike in protest aga the Chéron bill to suspend the recr ment of new government emplo for an indefinite period. This meas condemns many students, particu ly in the law schools, to unemp ment upon graduation. Although q noisy the demonstration and para

through the Latin Quarter were soon ended by the Easter holidays. The fact remains, however, that the French are more disturbed than they have been in a long time because of the economic situation. Unemployment showed a marked increase during April, prospects for a good tourist season are not bright and crops have been appreciably damaged over a large area by a six weeks' drought.

Because of the unfavorable domestic and world conditions the Daladier Cabinet, which has no stable majority to rely on, faces a very precarious existence. To a large extent it has to depend on the support of the Socialist Deputies, numbering 129 in the Chamber. The Socialists are by no means a homogeneous group. Although opposed in principle to military appropriations, 90 Socialists voted for the military credits, 10 voted against them and 29 abstained. It was the first time in many years that the Socialists as a party had weakened in their opposition to the war budget. Following this apparent departure from the party tradition, Léon Blum resigned as leader of the Socialist group, pending the special meeting at Avignon in April. When the party Congress was convened, M. Blum obtained what may be considered as a vindication of his policy, and he apparently regained the leadership of the party. The policy of supporting other bourgeois-democratic parties for specific purposes on certain occasions and subject to unified vote was recognized. No sanction, however, was provided against Deputies who should refuse to abide by the party's decision and discipline. Thus the situation was left very much the same as before, namely, that the party remains opposed in principle to "military credits, secret funds, credits for colonial conquests or the budget as a whole." The resolution of M. Renaudel, that Socialist Deputies may vote for such measures when their opposition would have as a result the establishment of a Cabinet of the Right, was defeated by a vote of 2,807 mandates to 925. As in the past, no Socialist may accept a portfolio in any Cabinet without resigning from the party. The principle of non-particiation in coalition Cabinets was thus preserved. The clear result is that M. Daladier, who will not be able to count on a fixed majority, will have to fight for the existence of his Cabinet every time an important measure comes before the Chamber.

This Ministerial insecurity is no new feature in French politics, but it seems that it has recently attracted more attention than in the past. André Tardieu, by denouncing government impotency and the attitude of the Daladier Cabinet on various questions in several recent speeches, has clearly indicated his intention to re-enter political life at the first opportunity. He has declared that at no time in recent years has France been in such difficulties and called for a complete reform in the executive and legislative branches of the government. As an advocate of law and order, M. Tardieu recommends the dismissal of recalcitrant civil employes and the right of government to appeal over the head of Parliament to the people, by dissolution and referendum. With Deputy Désiré Ferry, M. Tardieu has assumed the direction of the nationalist paper, *Liberté,* while M. Franklin-Bouillon, who sat in the Chamber as an Independent since the election, is endeavoring to organize a movement to revive the old National Union, on the lines of the program established by M. Poincaré in 1926.

The government as well as the French public placed great hopes in

the success of M. Herriot's mission. As hitherto, they consider the question of the debt as paramount, and it was expected that M. Herriot would bring back from Washington some assurance that drastic revision would be undertaken. Plans had already been made in such a case to recommend the payment of the $19,000,000 due last December, with the distinct understanding, however, that the June payment would be subject to a moratorium. But the mission of M. Herriot unfortunately coincided with the declaration of the American Treasury that payments in gold were suspended and with the fall of the dollar on foreign exchanges as a consequence, the American situation has added to the uncertainty and worry of the French.

French fears of remaining isolated explain to a large extent the proposal made in Paris to develop the press service of the Foreign Office. For many years the French have been genuinely distressed at the apparent failure of the American people properly to understand their position. Such a condition, attributed by many recent travelers to ignorance rather than to ill-will on the part of Americans, has led to the introduction of a bill sponsored by Deputy Dariac and the elaboration of a plan to make France better known throughout the world by the distribution of news. Rumors were current that The Associated Press would form a combination with the Havas News Agency to carry on propaganda in the United States, but Kent Cooper, general manager of The Associated Press, has formally denied that such an arrangement had even been contemplated. Ambassador Laboulaye, speaking in New York before the Alliance Française, also denied that propaganda was being planned.

A number of demonstrations in protest against the German treatment of the Jews and Communists were held in Paris, Nancy, Marseilles and other French cities. Professor Albert Einstein was invited to lecture at the Sorbonne and Minister of Education Anatole de Monzie presented a bill to the Chamber of Deputies to establish a chair of physics and mathematics in the Collège de France for "the foreign scientist, who will find the serenity necessary for his work and at the same time the welcome due his genius." The bill was referred to the Finance Commission.

THE BELGIAN BUDGET

The Belgian Government continues to struggle against financial difficulties. Minister of Finance Jasper warned the Deputies that the budget estimates for 1933 had not been realized and that a deficit of about 600,000,000 francs must be expected. The dole constitutes a heavy burden on the treasury and rumors that it was to be reduced caused several parades of unemployed in the streets of Brussels. The anxiety caused by the rise of Hitler to power in Germany was reflected in a proposal made by former Minister of Defense Paul Crockaert that the army be increased during the years 1935-1939, that 150,000,000 francs be set aside for the defense of the Valley of the Meuse and that a new regiment of chasseurs be raised. The government plan, as outlined by Albert Deveze, Minister of Defense, contemplates an extension of the fortifications on the eastern border and the distribution of gas masks to the civilian population. But the problem which will occupy the centre of debate when the budget is presented will be the amount and effectiveness of the protection that Belgium can expect from France and Great Britain in case of attack.

Nazis Consolidate Their Power

By SIDNEY B. FAY
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CHANCELLOR Hitler's policy of strengthening and consolidating his power and that of the National revolution by strong-arm methods, following the Reichstag grant to him on March 24 of virtually dictatorial powers, was carried forward in the following weeks with his usual characteristic vigor and success. With the aim of unifying and coordinating under centralized National Socialist control all branches of political, economic and cultural life, and thus putting an end to the internal divisions and antagonisms which he believes have weakened and humiliated Germany, he and his lieutenants have used force or pressure not only against the Jews (see the article, "Nazi Treatment of the Jews," on page 295 of this issue) but also against the remaining political parties, the Steel Helmets, the churches, the Masons, the labor unions, big business and the press. This has not been accomplished without friction between himself and his chief lieutenant, Hermann Wilhelm Goering, and between the Nazis and the Hugenberg Nationalists.

After smoldering for several weeks the rivalry between Goering and von Papen, that is, between the Nazis and the Nationalists, for the control of Prussia after the ousting of the Socialists, was settled on April 8 in favor of the former. Hitler as Chancellor appointed himself Governor of Prussia, and then designated Goering, instead of von Papen, as Prussian Premier. As the Prussian Diet, like the other State Diets, has been set aside, this arrangement gave the Hitler-Goering Nazis complete political power over the strongest State in Germany. With the appointment of Nazi Governors in the other States, the unification and coordination of centralized power was achieved throughout Germany.

Captain Goering, who was at first Minister Without Portfolio and then Minister of Aviation in the Hitler Cabinet, had been Prussian Minister of Interior even before his appointment as Premier of Prussia. As such, he controlled the Prussian police and was able to make the wholesale arrests of thousands of Communists and Socialists after the fire in the Reichstag Building. Next to Hitler, he is the most powerful personality in the Nazi movement, with which he has been associated almost from its beginnings. During the World War he distinguished himself as an aviation ace and the head of a flying squadron.

It was the Jews, Marxians and Socialists, the "November criminals," he felt, who were responsible in 1918 for giving the army at the front the fatal "stab in the back" and then accepting the Versailles Treaty. He therefore left Germany and went to Sweden, where he organized the aviation service and married a Swedish woman of delicate health to whom he was passionately devoted. He took part in the Hitler "beer hall revolt" in Munich in 1923; its failure resulted in his being exiled, and, as it happened, the Re-

publican attorney who prosecuted him was a Jew. During his exile in Tyrol his wife fell sick and died in Sweden without his being able to reach her. He therefore represents the more ruthless and militant wing of the National Socialist party which wants to press the campaign against Jews, Marxians and Socialists even further than Hitler does.

At the beginning of the National revolution, the Nazi-Nationalist coalition received the backing of 52 per cent of the whole German population as a result of the Reichstag elections of March 5. Two months have now passed in which the Nazis have made rapid progress in transforming or annihilating the other political parties so as to unify the German people. By wholesale arrests in the latter part of March the Communist party was practically wiped out and the Social Democrats reduced to impotence. The leaders and more active members of these two parties form the bulk of the 40,000 persons who, by Goering's own admission, have been thrown into jail. Imprisoned with them, however, are many Jews and the active spirits of other parties such as the Democrats, Roman Catholic Centrists, the Bavarian People's Party. In fact, all outspoken and aggressive Republicans, and many who were neither outspoken nor aggressive, were liable to be jailed.

To provide places of detention for all these political prisoners the Nazis organized several large concentration camps, like those used for enemy prisoners during the World War. Among the more important are those at Dachau, a few miles north of Munich; at Heuburg, not far from Stuttgart in Southwest Germany, and at Hohnstein in Saxony. Old war barracks, camps and half-ruined castles have also been pressed into service. American consuls and press representatives have been allowed to inspect them quite fr

On the eve of May 1, in hono the Festival of National Labor, w Hitler announced was to celebrat unity of all German workers in p of the hostile May Day demons tions and class conflicts of ea days, it was announced that sev thousand of the less offensive of t political prisoners would be given liberty.

The German People's Party, fou by Gustav Stresemann in 1918 the old pre-war National Lil Party—which had become under peror Wilhelm II far more nat than liberal—judged that prud was the better part of valor. Mar its members had already passed to the Nazis before the National olution. In the latter part of Apri remnant voted to dissolve the p advising its adherents to join the tional Socialists. Thus one more p representing largely the big ir trialists or "Smokestack Barons o Ruhr," evaporated.

Hugenberg's Nationalists, with eral members in Hitler's Cabinet, remain as a party in nominal coal with the Nazis. Hugenberg has sisted in several speeches that party still shares the power wit Nazi allies, and that its demand share of the offices and influ must be respected. But the p seems to be weakening, as was evident by the outcome of the con in regard to the Steel Helmets organization of war veterans inally non-partisan but in re strongly sympathetic with the Na alists. The conflict, which had been anticipated, broke out firs Brunswick at the end of March Nazi troopers occupied the Steel met quarters and arrested their ers, charging them with counter olution. The authorities in Be

however, managed to smooth the matter over, declaring that it was "a mere trifle" caused by an unimportant "local misunderstanding." But it was rumored that sooner or later the 1,000,000 Steel Helmets would be forced to merge with the Nazi Storm Troops, though the former are twice as numerous as the latter.

Finally, on April 27, Franz Seldte, founder and leader of the Steel Helmets and Minister of Labor in the Hitler Cabinet, announced in a nation-wide broadcast that he had decided to join the National Socialist Party. At the same time he dismissed Theodore Duesterberg from his position as second in command of the Steel Helmets. Duesterberg's paternal grandfather is said to have been a Jew, a charge which the Nazis had made some months earlier. Duesterberg then had offered to resign, but his resignation had not been accepted on account of his personal popularity and his distinguished war record. He had also run as the Nationalist candidate in the Presidential election against Hitler and Hugenberg. His dismissal and Seldte's conversion to National Socialism appear to mean the "coordination" of the Steel Helmets with the Hitler troops and that henceforth Hitler will have supreme control over three "private armies"—the Nazi Storm Troops, the Nazi special guards and the Steel Helmets, to say nothing of the regular Reichswehr of 100,000 highly trained men and also the ordinary police.

Dr. Alfred Hugenberg and his Nationalists have thus been made dependent more than ever on the favor of the Nazis. They must keep step with the predominant partner in the "Government of the National Revolution" or go into the political wilderness. The transformation of the Steel Helmets also virtually destroys the hopes of the Hohenzollerns and the monarchists for the present, since Hitler is not eager for a restoration of a monarchy. He enjoys more power under the present régime than he would be likely to have if a monarch were to replace the President.

The Social Democratic Party, already greatly weakened by the arrest or resignation of its leaders, received a further blow on May 2 when Nazi troops suddenly entered and seized the headquarters of all the free trade unions throughout Germany with a membership of some 4,000,000 workers. Their leaders were placed in custody, their banks sequestrated, their vast network of cooperative stores and factories taken under control and all their Marxist trade union periodicals permanently suppressed. It was stated that the trade union members would not be deprived of their accumulated benefit and pension funds. A Nazi communiqué further announced: "Three months of Nazi government proves to you, workers, that Hitler is your friend; that Hitler wrestles with the problem of your freedom, and that Hitler will supply you with work and bread." As the trade unions were the backbone of Social Democratic strength, the destruction of their independence means that the party is virtually annihilated.

The only remaining political party of importance is the Roman Catholic Centre. This joined with the Nazis in the Reichstag vote conferring dictatorial power on the Hitler Cabinet, but it has not yet completely capitulated. It also is to some extent, through its religious affiliations in Rome, an international party. Colonel von Papen spent Easter week at Rome and had a long audience with the Pope. Apparently he tried to induce his Holiness to use pressure with the Centre leaders to fall in more closely with

the Nazi régime, but failed in that attempt.

The Protestant Churches in Germany have never formed a regular political party, though they have exercised considerable political influence. Nor, like the Catholics, have they ever united in a single ecclesiastical organization. At the time of Luther each Protestant Prince or free city established its own separate Lutheran Church—although all adhered to the same creed as expressed in the Augsburg Confession—so that there were as many Lutheran Church organizations as there were Lutheran political States. A little later Calvinistic, or Reformed, Churches were established. In Prussia the two denominations were merged into a single organization in 1817, but in some of the other States they remained separate, so that after the war there were some twenty-nine major Protestant Churches in Germany, mostly following State lines.

In his policy of unification and centralization of everything, Hitler had threatened to "coordinate" all these churches under Nazi control. To forestall action by him the churches themselves took steps on April 25 toward the adoption of a new organization and constitution. The aim was to bring together the twenty-nine Protestant State Churches into one German Evangelical Church, while preserving the Confessions of the Lutheran and Reformed Churches. Some fanatical Nazis have talked of trying to force further changes upon it by abolishing the Old Testament and substituting the gods of Germanic mythology in place of the Hebrew prophets.

May 1 was cleverly seized upon this year by Hitler and Goebbels as a day for celebrating the triumphant unity of the German workers. As the culmination of a day filled with parades, speeches and military music, Chancellor Hitler made an address to 1,500,000 Berliners, which was also broadcast throughout the land. As usual it was somewhat vague and rhetorical, but he set forth, as he had promised, some of his four-year program, consisting in summary of eight points as follows:

1. Fighting to keep the power that is now in its hands.
2. Awakening self-confidence in the German people.
3. Convincing the people that the government wants only one thing: the people's weal.
4. Elevating the esteem in which manual labor should be held by drafting every youth, whether rich or poor, for compulsory labor service.
5. Freeing creative business and industry from the fetters of majority votes.
6. Putting agriculture on its feet, thereby building a foundation for welfare also of the factory and intellectual worker.
7. Reducing unemployment partly by urging private owners to undertake a vast program of house repairs and partly by devoting several billion marks to public works, especially road construction.
8. Reducing interest rates and adopting a trade policy with other nations which would protect and stabilize production without harming farmers.

Several of these points are not new. They formed part of the program of his predecessors, Bruening, von Papen and von Schleicher. The most important is the fourth, providing for the compulsory labor of all youth. According to an announcement a couple of days later, all young persons are at first to be conscripted for labor for half a year while the experiment is being tried; later the term will be extended to a whole year. How this will be financed is not yet apparent.

A further method of bringing about "coordination" in all economic life has been to make changes in governing boards of big business and in the committees in control of the various professional associations or unions. Almost all German officials and, in fact, workers in every branch of life are organized in some way or other. Un-

der National Socialist pressure the governing committees and officials of all these bodies have been forced to reorganize their officers and committees by the election of a controlling majority of National Socialists. Jews, Socialists, Marxians and other opponents of National Socialism can no longer therefore exert any influence as office holders in the associations. Following the example of Mussolini in Italy, Hitler seems to be intent on strengthening all these guilds or unions of the professional and working classes by placing each under the control of Nazis who are appointed from above. He is seeking to form a new social organization or "corporate State" to take the place of the old democratic State.

AUSTRIA AND THE NAZIS

Hitler's victory in Germany caused tremendous repercussions in the already troubled Republic of Austria. In Vienna the internal conflict between the Socialist and the Conservative parties for the control of the government became more pronounced, and, in a more acute form, the complicated factors, both foreign and domestic, of the movement for *Anschluss* —the annexation of Austria to Germany—were revived. *Anschluss* was enthusiastically advocated by German and Austrian Nazis, who regard Hitler, born in Austria and naturalized in Germany, as their common leader. He is in fact the head of the Austrian subdivision of the National Socialist Party, ruling through the Austrian district leader, Dr. Alfred Frauenfeld. No Austrian National Socialist Party as such exists; it is merely one of the thirty or more district divisions, some of them including Germans outside Germany's present boundaries, in which the whole National Socialist Party is organized. Hitler has always refused to recognize Germany and Austria as two different nations, but through fear of incurring the hostility of Italy, with whom he wants to cooperate in international questions, he is in no hurry for the moment to bring about *Anschluss*.

On March 4, on the eve of the Reichstag election in Germany, there were rumors that the anti-Socialist Heimwehr in Austria were planning a revolution in cooperation with the Nazis, with the aim of establishing a Hitlerite dictatorship at Vienna. The rumor spread to the Chamber of Deputies, where discussion of the government's punishment of a railroad strike had led to turbulent scenes. These ended in the successive resignations of the President and both Vice Presidents of the Chamber because of their inability to control the excited Deputies. Their resignations left no one with official authorization to summon a new session, and hence parliamentary government ceased to function.

Two days later, upon the news of Hitler's victory in Germany, the Austrian Nazis demanded the immediate resignation of the Dollfuss Cabinet, which they accused of selling Austria to France, and the formation of a new government. They published a manifesto declaring that the frontier posts between Austria and Germany must be torn up with the scrapping of the treaties separating the two countries. But Herr Miklas, the President of the Austrian Republic, stood firm. When the Dollfuss Cabinet, after a session of several hours, decided not to convoke Parliament and offered to resign, it was invested instead with dictatorial powers by President Miklas, and authorized to issue emergency decrees prohibiting public meetings, suppressing newspapers and making arrests.

Since early March, by virtue of this

dictatorial power, Chancellor Dollfuss has ruled with great vigor and has succeeded in preventing any serious use of force against the republic—by either Heimwehr and the Nazis or the Communists and Socialists. In view of rumors that 150 Nazi propagandists under the direction of Dr. Goebbels were going from Germany to agitate in Austria, and that Austrian Nazis would be furnished with arms from Germany, Chancellor Dollfuss increased the army to the maximum strength allowed by the peace treaties. He called up reservists and concentrated strong forces in Vienna. Karl Vaugoin, the Minister of War, announced that a large number of motorized units had been recently formed for the transport of troops.

A change in legal procedure reduced the membership of juries from twelve to six in order to increase individual responsibility, and judges were given authority to set aside verdicts not in accordance with the evidence. These vigorous measures and warnings proved effective. Chancellor Dollfuss, as virtual dictator, remained in firm control of the situation.

In order further to check the danger of German Nazi propaganda the Dollfuss Cabinet decided on April 7 not to permit the transmission of speeches by Dr. Goebbels's agents over Austrian radio stations. Several attempts of thousands of National Socialists to demonstrate in the streets of Vienna by blocking traffic were effectively broken up with numerous arrests. At the same time the Cabinet showed its impartiality toward extremist threats by dissolving the Socialist *Schutzbund* with its membership of 80,000 disciplined men. The Socialists, choosing to be grilled in the Dollfuss frying-pan rather than be thrown into the Nazi fire, made no resistance.

When von Papen and Goering went to Rome during Easter week to confer with the Pope and Mussolini, Chancellor Dollfuss quickly followed suit to make sure that no intrigues concerning *Anschluss* had taken place. On the whole the prospects for Austrian annexation to Germany appear to have been weakened rather than strengthened by Hitler's victory in Germany, in spite of the enthusiasm for it among the Austrian Nazis. Mussolini is absolutely opposed to it, as he does not want to see a highly nationalistic State of more than 70,000,000 brought to the door of Italy, where thousands of restless Germans in the Tyrol would be only too glad to throw off the yoke of Italian fascism. Hitler does not want to antagonize Mussolini on the larger questions of treaty revision and armament discussions at Geneva. In Austria itself two groups are now strongly opposed to *Anschluss*—the Socialists, who foresee the fate of their German Socialist brethren if they should be joined to a State ruled by the Nazis, and the Austrian Roman Catholics, who wish to retain the power that they now enjoy.

DUTCH POLITICAL CHANGE

In Holland, perhaps the most peaceful country in Europe, there have been fears that it too might be changing and falling into line with the political manners of its neighbors. But in the quadrennial elections of April 26 great gains were registered by the anti-revolutionary parties. The Socialists were heavy losers and the Fascists failed to elect any of their candidates. This gave increased power to Hendrik Colijn, who as Prime Minister and Minister of War and Finance, as well as serving in various capacities with the League of Nations at Geneva, has gained prominence as one of the "strong men" of Holland.

Spain Swings to the Right

By William E. Lingelbach
Professor of European History, University of Pennsylvania

The Spanish municipal elections on April 23 resulted in an unexpected setback to the government. Based on the liberal franchise of the new republic, under which women also voted, the returns showed a decided swing to the Right. The Conservative Republicans *(Partido Radical)*, led by Alejandro Lerroux, the Opposition leader in the Cortes, won in sixteen provinces, other Conservative parties in ten and the government in ten. Nearly twice as many Opposition Republicans and Monarchists were elected as were government supporters.

Since the monarchy and the dictatorship were both overthrown as a result of the hostile vote in the municipal elections of April, 1931, opponents of the Azaña régime pointed to the recent vote as clearly indicative of the national dissatisfaction with the socialistic policies of the Cortes. Commenting on the situation, Alejandro Lerroux stressed the significance of the situation and reiterated his demand that Azaña resign. "These elections," he said, "will force the fall of the government." Azaña, on the other hand, sought to minimize the results, pointing out that the old political bosses were still active, and that there had been misunderstanding among the Republicans which alone was responsible for the otherwise alarming strength of the Monarchist vote. Whatever the explanation, the Conservative victory is causing the government considerable embarrassment.

The Republicans of the Right met immediately after the returns became known and sent a delegation to the President requesting a general debate on the political situation. That a crisis is imminent is obvious, and it is quite probable that Azaña will yield to the Conservatives, the Socialists going into opposition. For nearly two years the Cortes, elected to draw up the Constitution, has continued to govern the republic in an endeavor to consolidate it and carry through the measures which the Republican Left, with its Socialist allies, believes necessary. The obvious solution now is the dissolution of the Cortes and the holding of a national election, but this the leaders do not desire at the present time. Every day, they claim, adds to the strength of the young republic.

The irony of the present situation lies in the fact that the defeat at the polls coincides so closely with the second anniversary of the establishment of the republic, on the occasion of which government supporters made much of the achievements of the past two years. They pointed to the land-distribution program; the curtailment of the power and position of the aristocracy, particularly of the grandees, who dominated the life of Spain for so long a period; the separation of Church and State; the expulsion of the Jesuits and the secularization of education; the emancipation of the peasant and of the industrial worker under a new charter of economic independence and freedom, with its provisions for a national schedule of

wages and hours of work and mixed courts for the settlement of labor disputes; the improved status of women, and the eminently successful handling of the nation's foreign relations.

The religious festivities of Easter week were restrained this year. Even the famous processions in Seville were abandoned, the ceremonies being kept largely within the churches. In deference to the national feeling toward Good Friday, the government officially postponed the celebration of the second anniversary of its birth, on April 14, 1931, to April 15. The day was generally celebrated throughout the nation in an orderly and quiet manner, and without any manifestation of the predicted hostility of the reactionaries.

While the nation was occupied with the municipal elections and was celebrating the anniversary of the establishment of the republic, the Cortes pushed forward the legislative program of the new régime. The bill for the seizure of all church property was finally approved on the night of March 24, without noise or excitement. "Churches of all classes, episcopal palaces, rectories, seminaries and other buildings of the Catholic cult are declared to be national property; also all ornaments, pictures and other such objects in them."

More opposition arose over the Religious Orders bill. The Catholic Agrarian party became particularly incensed and finally quit the hall when the government declined even to answer their arguments. The land program, which involves the socialization of land, confiscation of the estates of the grandees, and its distribution and management by the Institute of Agrarian Reform, is also going forward steadily. An agricultural census is being taken which is to serve as a basis for these drastic changes in the agricultural life of the nation. In the meantime the expropriations continue, all appeals being refused save those of the Duke of Veragina, a descendant of Columbus, and those of the aged Duke of Wellington. The peasants, especially of the south and southwest, impatient over the delay in actually securing the land promised them, continue to move in on the pasture lands in the expectation of establishing squatter title. At Sarinano, several hundred peasants with their mule teams seized an estate and began plowing.

Added to the schools and the press as agencies in the dissemination of republican ideas, the government, through the Minister of the Interior, early in the month announced its plans for a great national radio system for "cultural and artistic developments at home and the dissemination of proper information about Spain abroad."

In the meantime, Azaña's strong hand continues to hold the extremists of both sides in check. Fifty-two conspirators of the Monarchist attempt of Aug. 10 are again to be brought to trial, while the names of Spanish Fascisti are being listed, the new Director of Public Safety announcing that no Fascist organization or newspaper would be allowed in Spain. *El Fascio,* a new Fascist paper, was promptly suppressed. On April 6 forty-five young men of the Catholic Traditional party were arrested in a raid on the Traditionalist Club and lodged in jail by the side of 150 Syndicalists arrested several days before. The mingling of Communist and Socialist songs with the chanting of royalist hymns reflects the irreconcilable phases of Spanish national life.

Throughout April the radicals continued to cause disturbances. In Barcelona they forced a strike of port

and transportation workers, which, added to the building workers' strike, for a time paralyzed the life of the city. Syndicalist gunmen forced the cessation of labor at the point of the pistol and, taking advantage of the dispute between the national and the Catalan governments over the question of police control, they made police and merchants the target of their attack. So intolerable a situation led to loud protests on the part of the citizens. Driven to action, the authorities acted with force and energy; 1,600 of the gunmen were taken into custody, the anarchical Barrio Chino Club was closed and street cars and other transport vehicles were manned by the police. Much excitement was caused by the support given to the police by the Escamots, the secret army organized by the Catalans to fight against Spain had the Madrid government refused to grant autonomy to Catalonia. Heavily armed and determined, they quickly became a decisive factor in the suppression of the Syndicalists.

Fernando de los Rios, the Minister of Public Instruction, brought Spain into the limelight by announcing that Professor Albert Einstein had been offered and had accepted an invitation to become a member of the faculty of the University of Madrid. At the same time, *El Sol,* in a prominently featured front-page article, demanded that the decree of 1492 expelling the Jews should be annulled. "The republic of 1933 must rectify the error of 1492."

Claude G. Bowers, the new American Ambassador, enters upon his official duties at Madrid under somewhat difficult circumstances. The dispute over the contracts of the Nacional Telefonica Company, a subsidiary of the International Telephone and Telegraph Company, remains unsettled. Spanish reprisals against the Hawley-Smoot tariff have made serious inroads on American imports; automobiles in particular have suffered, and General Motors and other automobile concerns have been practically obliged to close down. The books of all American automobile companies operating in Spain are to be investigated to determine if capital has been illegally exported. In the meantime, John Hill, the treasurer of General Motors, is being held under the heavy bond of 2,250,000 pesetas on this charge [at par the peseta is worth 19.295 cents].

Of minor importance, though of interest, was the revolution in the tiny patriarchal Republic of Andorra with its population of 5,200 people. For many centuries it has been ruled by a council of twenty-four elders elected by the heads of families owning property. Since the revolution in Spain the young men have become restless, and on April 8 they invaded the council chamber and forced the council to agree to popular election. Nobody was hurt, and Andorra may now also be ranked as a democracy.

THE ITALIAN BUDGET

The Italian budget for the fiscal year beginning June 1, 1933, which was submitted by Finance Minister Guido Jung to the Chamber of Deputies on April 14, showed a deficit of approximately $153,000,000. Estimated expenditures were $28,000,000 higher than for the present year, while revenues were expected to fall $48,000,000 short of this year's returns. Of all the different taxes, only the income tax was credited with a yield over that of the current year, the excess being calculated at $11,000,000. Of the total expenditure of $1,085,000,000, more will be spent than last year on public works, education and the public debt and less for the administration of justice, the mili-

tary, railroads, police and diplomatic agents abroad. Not that there is to be a let-down in these branches of the national life; on the contrary, the savings are to be effected by rigorous economies without inroads upon efficiency.

The air force, for example, is being operated at the low cost of $40,000,000 a year, despite its remarkably fine showing. For its rapid development during the past decade much credit is given to Mussolini, who was himself Minister of Aeronautics till he gave over the post to the Under-Secretary, General Italo Balbo. The $40,000,000 budget item covers not only the ordinary running expenses but permanent plants and equipment. Italy now has eighty-one airports and eighty-six flying fields fully equipped, while the Air Ministry's program for the near future contemplates at least one landing field for each of Italy's 9,000 municipalities.

Commercial and civilian flying is being fostered. The first civilian air line was organized in 1926. Today there are over 12,000 miles of air lines, along which regular and safe service is being maintained; only 1.3 per cent of the service shows interruptions by weather conditions and the casualties are amazingly low.

Official reports on Italian industry published during the last week in March showed gains in production for the first two months of 1933 over the corresponding months of 1932 in eighteen principal industries. Only five showed declines. The increases ranged anywhere from 1 to 500 per cent. The greatest improvement appeared in the sheet iron and manganese steel plants, which represent relatively new industries. More significant is the increase in certain older and better established industries, for example a 2 per cent increase in the production of cast iron, 23 per cent in steel, 59 per cent in zinc and 10 per cent in paper. Equally optimistic reports of agriculture were made by Baron Acerbo, the Minister of Agriculture, who points out that long-term indebtedness on Italian agriculture has been reduced 39 per cent since 1930, and that short-term debts have also been scaled down without impairing the credit of the agricultural classes. Exports of agricultural products have fallen considerably, but imports have fallen more and prices continue high.

Venice, separated throughout all its history from the mainland by the lagoons, save for an iron railway bridge constructed in 1846, celebrated the completion of a great highway, five and a half miles in length—two and a half miles of which constitute a bridge over the great lagoon.

On the morning of April 1 Pope Pius XI formally inaugurated the Holy Year by opening the holy door of St. Peter's and entering the church alone as the Sistine Choir intoned Jubilate Deus and the bells of Rome's 400 churches began ringing. The ceremonies were widely broadcast.

PORTUGUESE POLITICS

The new Portuguese Constitution, which was voted upon in March, went into force on April 12. On the same day the Cabinet resigned. Oliveira Salazar was at once asked to form a new Cabinet, which he did, retaining many of his old colleagues, while taking for himself the Premiership and the Ministry of Finance. Apparently Dictator Carmona still has a strong grip on the country. In the meantime the Portuguese were grateful to the British for the assurance that the disposition of Portuguese colonies was not formally discussed at Rome and Paris during Prime Minister MacDonald's visits.

Poland and the Little Entente

By Frederic A. Ogg
Professor of Political Science, University of Wisconsin

The Hirtenberg rifle smuggling affair, coupled with treaty revision talk in Hungary, inspired the new pact which in February cemented the Little Entente more closely together. The triumph of the Hitler movement in Germany, with the ensuing resurgence of Germanism, has not only strengthened the relations between France and the lesser States on the German borders, but brought Poland into closer affiliation than ever before with the Little Entente nations. As a result, the "iron ring" around Germany which, both before the war and after, Berlin consistently labored to prevent, has become somewhat of a reality, and treaty revision on lines advocated by Germans has been made a decided impossibility in the near future.

It has, indeed, been surmised that Poland is about to join the Little Entente. That she plans to do so was firmly denied at Warsaw on April 25; and it is known that Marshal Pilsudski has all along been opposed to such a step. She has, however, consistently maintained good relations with all three of the Little Entente countries, and, with or without formal adhesion to the combination, she may certainly be expected to develop these relations still further, at least so long as Germany looks menacing. Foreign Minister Beck paid significant visits to Prague, Belgrade and Bucharest in April; Gunther Schwarz, Polish Minister to Yugoslavia, visited Warsaw in the interest of closer relations; a treaty of "permanent and everlasting friendship," such as already exists with Yugoslavia and Rumania, is expected to be concluded with Czechoslovakia, on lines which Premier Benes has long desired, but which Marshal Pilsudski opposed until presumably won over by the recent German developments.

It was reported on April 24 that France, Poland and the Little Entente had signed an agreement against revision of the peace treaties and against Premier Mussolini's proposed four-power conference to settle European problems largely through such revision. That such a pact had actually been consummated was denied by the Polish Foreign Office on the following day. But that something of the kind remained a distinct possibility was indicated by conferences known to have been held on the general problem of presenting a united front against the revisionist movement. One such conference, participated in by Marshal Pilsudski and several of the Polish Ministers during a trip to Vilna to witness a military review, was followed promptly by interviews between Foreign Minister Beck and the French Ambassador and Czechoslovak envoy.

In a speech in the Czechoslovak Parliament on April 25, which was frequently interrupted by Communist and Nazi disturbers, Foreign Minister Benes declared that events were drawing Czechoslovakia and Poland together, characterized Italy's four-power plan a step backward toward pre-war conditions, and asserted that only "minor" treaty revisions could

be considered and that even these could be made only by a voluntary agreement of the States concerned, "concluded in a peaceful atmosphere after years of cooperation" and with suitable compensation. Two government and three Opposition parties on April 28 expressed in the Chamber their full approval of the speech.

After an extended conference at Belgrade on April 21 between Foreign Minister Jevtitch and the Rumanian Foreign Minister Titulescu, the latter issued a statement to the effect that the Little Entente had received reassurances from all authoritative sources regarding the four-power plan and that the allied States were relieved of anxiety over the future.

THE POLISH PRESIDENCY

With the Presidential election coming due early in May, the Polish people remained in complete uncertainty as to what was likely to happen. It was assumed that, if Marshal Pilsudski cared for the office, he would be chosen as a matter of course. Barring this outcome, the National Assembly's favor seemed likely to fall upon President Moscicki, M. Paderewski, the pianist, or M. Raczkiewicz, the Speaker of the Senate, with the chances of the first-mentioned considered most favorable, notwithstanding his oft-expressed desire to return to the seclusion of his scientific laboratory.

Anti-German demonstrations in Warsaw, Lodz and other Polish cities, coupled with a widespread boycott of German goods, led to numerous protests by Hans Adolf von Moltke, the German Minister, during April. While promising to do its best to protect Germans in Poland, the government in its turn lodged repeated protests against the treatment accorded Polish Jews in the Reich. On the other hand, the Polish Nationalists, encouraged by the successes of the anti-Semitic Nazis in Germany, systematically endeavored to stir up anti-Jewish feeling in their own country in an effort to damage the government and win back their former peasant and middle-class following. In particular, the government was criticized for allowing fugitive German Jews to enter the country, adding to the existing intensity of economic competition.

With a view to substituting wages for doles, a "labor fund" has been voted by Parliament. All persons gainfully employed are required to contribute to the fund 1 per cent of their earnings, and the resulting sums will be spent in giving employment in building railways and roads, draining lands, constructing small houses and carrying on other kinds of public works. The unemployed hired for these undertakings will be organized in "labor squads" and will be lodged, fed and supplied with tools by the State. The wages paid will be lower than in private employment.

COMMUNISM IN BULGARIA

The Bulgarian Government, while not overlooking danger from the Tsankovist and other elements of the Right, has, during the past month, concentrated its attention mainly upon the forces of the Left, particularly the Communists. Early in April two Communist Deputies, accused of organizing Communist "cells" in the national army, were placed under arrest, along with several soldiers suspected of engaging in Communist agitation or being in communication with Communist leaders. At the instigation of the Council of Ministers, furthermore, the Sobranye, on April 12, after two days of debate interrupted by manv tumultuous scenes, passed by a large majority a measure declaring vacant the seats of all the twenty-nine Commu-

nist members of the Chamber. It was ordered, also, that the seats be left unfilled.

The Communist party was legally dissolved by the government after the revolutionary outbreaks of 1924-25, culminating in the death of 150 persons in Sofia. The Liaptchev government, in 1926, permitted the formation of a "Labor" party, which, however, upon proving only a camouflage for communism, was dissolved by the Court of Cassation. Later, an "Independent Labor" party appeared, and at the general election of 1931 an ill-considered "electoral reform" engineered by the government had the unintended effect of enabling the thinly disguised Communist organization to capture twenty-nine seats—about four times as many as it probably would have won in a straight fight. This success naturally gave the movement fresh impetus, and after the quarrels of the other parties enabled the Communists to win the Sofia municipal election last Autumn, the party agitators were emboldened to attempt to carry their propaganda into the army —with the result that has been indicated. Some Liberal and Democratic speakers in the Sobranye demanded that the party be suppressed, as its predecessor had been. Premier Muschanov indicated that this would be done, presumably by order of the Court of Cassation, should it become necessary.

CZECHOSLOVAK HITLERITES

Hitlerism was reported late in April to be growing so rapidly among Czechoslovakia's 3,200,000 German inhabitants that cooperation of the German parties with the government was being hampered and an all-Czech coalition without the present two German Ministers was being discussed. On April 19 the government prohibited the relaying of Hitlerite speeches on long-distance radio sets to other than the members of the families of the owners of the radios. Even for leaving windows open so that persons outside might hear Nazi speeches, radio owners were to be punished by fines and by confiscation of their radio sets.

An internal "work loan," designed to relieve unemployment by providing work, was floated successfully during April and was hailed as a further evidence of Czechoslovakia's essential soundness, as well as of intelligent leadership at Prague in the present troubled period.

GREEK FINANCES

The financial condition of Greece, Finance Minister Loverdos announced on April 22, will not this year permit payment of more than 30 per cent of the interest on foreign obligations, as was also the case last year. Premier Tsaldaris told the Chamber that the government would invite foreign holders of Greek bonds to inspect the country's condition on the spot.

General Nicholas Plastiras, who, after a fourteen-hour dictatorship at Athens on March 6, fled the country, was reported on April 20 to have made his appearance in Rhodes, still bent upon sanctuary from arrest.

YUGOSLAV UNITY

In celebration of the formation of a new government party in Yugoslavia, 130,000 persons assembled at Nish on April 23 in the greatest political gathering ever held in the kingdom. All the Ministers were present, with more than 100 Deputies. Premier Srskich, in the principal speech, declared that the former political parties, though useful in their day, had ceased to be so because they refused to accept the principle of Yugoslav unitarism, which alone, he added, could satisfy the wishes of all parts

of the realm without imposing the hegemony of one race over the others.

Special point was given the demonstration by the trial of Dr. Vladko Matchek, the Croatian leader, scheduled to open a few days afterward. The case against the defendant was based on a "back to 1918" appeal issued by him and others last November—an appeal which, according to his own interpretation, did not look to the complete separation of Croatia from Serbia, but which the government chose to construe otherwise. The court on April 29 rendered a verdict of guilty, and a sentence of three years' imprisonment was imposed.

HUNGARIAN NAZIS

The Nazi party, on making its first appearance in Hungary about a year ago, was regarded as a joke. It has now grown to such proportions as to attract a good deal of attention from the government. Arriving to pay his respects to Hitler in Berlin on April 14, Zoltan Mesko, the leader of the party, reported 100,000 adherents. Government reports say that the movement is being organized particularly in the Debreczin region and chiefly by Right reactionaries who were prominent in the White terrorism of 1919-20.

Presenting a budget plan to Parliament on April 7, Finance Minister Imredy announced further reductions in the number of civil servants, and the closing of some universities. Even so, expenditures promised to reach 765,000,000 pengoes and revenues but 753,000,000. Hungary, M. Imredy said, will put forth every effort to make good on foreign obligations, but expects reasonableness on the part of creditors.

Nicholas Roosevelt, fifth cousin of the President, resigned on April 2 the post of American Minister to Hungary, to which he was appointed by President Hoover on Sept. 29, 1930.

Denmark's New Trade Deal

By Sidney Hertzberg

The first definite results from the trade negotiations which have been in progress between Great Britain and the nations of Northern Europe since early last December were shown on April 24, 1933, when representatives of Denmark and Great Britain signed a reciprocal trade agreement in London. Since the Ottawa pacts were concluded last Summer Great Britain has been holding conversations with nineteen countries in an effort to make new trade arrangements. The Danish settlement is the first one to be reached. It will run for three years and is based on the most-favored-nation principle.

Great Britain agrees, under the new treaty, to continue buying approximately the same quantities of bacon, butter and eggs, which are Denmark's principal export products. Not less than 62 per cent of Britain's bacon and ham imports are to come from Denmark and they will enter duty free. The tariff on butter will stand; but, despite any import restrictions which may be imposed, Britain will buy at least 2,300,000 hundredweight of Danish butter annually, which is slightly

lower than the average amount she has bought during the past two or three years. On the other hand, if Britain's foreign butter imports exceed 8,100,000 hundredweight, Denmark's allotment will be increased. *Similarly, the tariff on eggs remains, but Denmark is guaranteed* a minimum share in the British market for this product. Danish cream and condensed milk will enter Great Britain duty free. Great Britain will permit the importation of at least 412,000 hundredweight of fresh and wet salted fish during each of the three years.

The principal Danish commitment in the agreement specifies that 80 per cent of her foreign coal must be imported from Great Britain, instead of 43 per cent as at present. This means that Denmark will buy 1,350,000 more tons of British coal every year. Denmark also promises to increase her annual purchases of British steel and iron goods from 50,000 tons to 75,000 tons. Coal, coke, iron, steel and jute will be on Denmark's free list and the duties on cotton goods, artificial silk, automobiles, carpeting and felt hats will be reduced. There is also a long list of articles imported from Great Britain on which Denmark agrees not to raise the tariff.

In terms of increased volume of exports, Great Britain seems to have the better of the bargain. But Denmark has cause for satisfaction in the assurance that the bulk of her exports will have a steady market for at least three years. These exports are the keystone of Denmark's entire economy. In 1932 Great Britain accounted for 98 per cent of Denmark's bacon exports, 82 per cent of butter exports and 70 per cent of egg exports. Thus the importance of the British market to Denmark's economic life is clear. The Folketing approved the treaty three days after it was signed with only the two Communist members dissenting.

Late in April Denmark closed a contract with a British company for the construction of a combined railway and highway bridge between Zealand, largest of the Danish archipelago, and the islands of Falster and Laaland. The bridge will be the longest in Europe — two miles — and will have a navigation clearance of about eighty-five feet. The British Treasury allowed Denmark to float a loan of £1,000,000 in London, because nearly the whole amount will be used to buy British steel for the bridge. Its total cost will be about £2,000,000, and it is expected to take four years to build.

Finland and Sweden have concluded new commercial agreements with France involving suspension by France of its 15 per cent surtax on imports from countries with depreciated currencies. The pacts will aid particularly Finnish and Swedish pulp, paper and board exports. France receives concessions in luxury exports. In 1931 Sweden's exports to France totaled 69,000,000 kronor ($18,630,000 at par).

GREENLAND DECLARED DANISH

The question of sovereignty in Greenland was decided by the Permanent Court of International Justice at The Hague on April 5, when it upheld Denmark's contention that the Norwegian occupation of territory in Eastern Greenland on July 10, 1931, was unlawful and invalid in that it constituted a violation of the existing legal situation. The vote of the court was 12 to 2.

Naturally, the decision was accepted with joy in Denmark and with gloom in Norway. But King Haakon and Premier Mowinckel were prompt

in giving assurances that Norway's relations with Denmark would continue to be friendly. Two days after the decision was announced the Norwegian State Council adopted a royal resolution ending the administrative and judicial system which it had established in Eric the Red's Land. This system had consisted of five persons: the Sheriff of Ingstad and four hunters to whom Norway had given police authority. The peaceful resolution of this long-standing difficulty was widely hailed as a triumph for international arbitration. Both Norway and Denmark are parties to the "optional clause" conferring compulsory jurisdiction on the World Court in certain types of legal disputes. (For a detailed account of this dispute see CURRENT HISTORY for August, 1932, page 613).

Greenland, now Denmark's only colonial possession, is of slight economic importance. The island covers an area of 827,275 square miles—more than one-fourth the size of the United States. Five-sixths of the island is under an ice-cap 8,850 feet deep. In 1930 the population totaled 16,630, of whom 408 were Danes and the rest natives. Their chief occupations are mining, fishing and hunting. In 1930 the island's exports, mainly cryolite, were valued at 10,-742,000 kroner ($2,900,340 at par).

SWEDEN'S INTERNAL AFFAIRS

Late in March Sweden's Social-Democratic Ministry laid before the Riksdag definite plans to combat unemployment along the "expansionist" lines previously announced. Sweden's unemployed numbered 181,944 during March.

An unemployment insurance proposal makes all workers above the age of 16 eligible for payments. These payments would be, at the most, 6 kronor a day (approximately $1.26 at the current rate of exchange), and not less than 2 kronor a day (42 cents). Benefits could be drawn for not more than 120 days during the year. The estimated cost of the scheme is 33,217,000 kronor ($6,975,-570, current). Half of this would be paid by the insured workers and the other half would be shared by the employers and the government.

A loan expenditure of 295,000,000 kronor ($61,950,000, current) and the suspension of the sinking fund are also proposed. Such an outlay, it is expected, will provide employment, directly and indirectly, for 90,000 men, working forty hours a week at trade union rates of pay.

As part of this plan, subsidies and loans would be granted to private firms when such action would create employment. For this purpose 10,-000,000 kronor ($2,100,000, current) would be set aside. The public works proposed include housing, schools, hospitals, railway work, land reclamation and drainage, forestry, harbor improvement, roads and bridges. The expenditure on materials of Swedish manufacture that this would involve is put at 68,000,-000 kronor ($14,280,000, current).

Little opposition has been encountered to the public works as such. But the bourgeois parties are opposed to the payment of full trade union rates on the ground that the government will thereby help to maintain wage scales at their present high level. In defending this item in their plan, the Social-Democrats insist that they are opposed to the creation of a special class of workingmen who will be forced to undersell their labor. So far as possible, the government hopes to put men to work in their ordinary trades in the regular way.

During 1932 Sweden's trade union

membership increased from 589,176 to 638,593. The national organization now comprises forty-one unions with 5,783 local branches. Recently extreme Communist elements in the Seamen's Union have been practicing terrorism against workers who would not heed their strike call. These activities have been condemned by right-wing Communists as well as by Socialists as helpful to an incipient Fascist movement in Sweden.

SCANDINAVIA AND THE NAZIS

With the "national resurgence" in Germany threatening to flow over into Slesvig, Denmark acted swiftly to isolate the Fascist virus. On April 12 the Riksdag met in extraordinary session and rushed through government proposals forbidding the wearing of party uniforms by Communists, Conservatives and Slesvig Nazis and providing 100 additional men for the State police force to cope with trouble in the southernmost province.

Apparently the Hitlerites are also anathema to the Swedes. The *Göteborgs Handels-och Sjöfarts-Tidning*, the leading liberal newspaper in Northern Europe, withdrew its Berlin correspondent on March 27, insisting that it was useless to keep him there "when he is no longer permitted to report what he knows is true." Other sections of the Swedish press have expressed anxiety over Nazi activities.

The Swedish Socialists have naturally been most vehement in their denunciation. A mass meeting of Stockholm Socialists, after denouncing the Nazi régime as a menace to "world peace, democracy and the working class throughout the world," passed a resolution, declaring that "we can best help the German workers by promising that what has happened in Germany shall never happen in our own land."

Early in May, the Finnish House of Representatives passed a law forbidding political parties to organize military auxiliaries. This action, brought about by the growth of such groups, received the support of all elements except the extreme Right.

The Latvian Parliament has decided to expel all foreign Fascists.

The Mystery of the Moscow Trial

By EDGAR S. FURNISS
Dean of the Graduate School, Yale University

THE recent trial of the British engineers in Moscow left the world mystified as to the actual facts of the case. Six Britons, all employes of the Metropolitan-Vickers Company of London engaged by the Soviet Government in connection with its electric power development, were tried along with eleven Russians who were either employes of the same concern or officials in Soviet enterprises having dealings with the Metropolitan-Vickers representatives. The indictment of these individuals set forth in great detail charges of sabotage, espionage and bribery, all of which were held to be incidents in a definite conspiracy to injure the industrialization program of the Soviet Government and to betray its military secrets to foreign enemies.

The Russian prisoners admitted

their guilt in terms which implicated the British engineers as the moving spirits in the conspiracy. Of the British prisoners one, W. H. MacDonald, pleaded guilty to charges of espionage, sabotage, bribery and conspiracy; another, L. C. Thornton, repudiated in court a deposition made to the Soviet police before the trial in which he had confessed to systematic espionage and entered a plea of not guilty. The four remaining Britons consistently asserted their innocence of all charges. On April 19 a verdict of guilty was entered against all the Russians and five of the British; the sixth, A. W. Gregory, had been declared innocent by the Soviet prosecutor during the trial. Severe sentences ranging to ten years imprisonment with confiscation of all property were meted out to the Russians. The British were treated more leniently: Thornton was sentenced to three years' imprisonment and MacDonald to two; Monkhouse, Nordwall and Cushney, though held guilty, were let off with expulsion from the Soviet Union for five years on the ground that they had merely carried out instructions from their superior officers.

The simplest interpretation of the affair would be to denounce it as Soviet theatricalism designed to turn the attention of the Russian people from the failures of the government's economic program. Such is the view of the officers of the Metropolitan-Vickers Company in London and the considered official opinion of the British Government, which spared no efforts to obtain the release of its subjects in Moscow. The British press and the conservative press of other countries have taken the same position. But so simple an explanation can hardly convince the impartial observer. For one thing, it does not explain why the Soviet Government should have imperiled by such a stupid action the conclusion of its greatly desired trade agreement with Great Britain, negotiations for which were under way when the arrests were made. Then, too, the indictment does not look like a trumped-up document without basis in fact; it is much too impressive in its accumulation of detailed evidence. Finally, it must be remembered that all the Russian prisoners confessed, and that of the two Britons who made similar confessions during the preliminary inquiry, one persisted in declaring his guilt throughout the course of the trial. On the other hand, why should the Metropolitan-Vickers Company sacrifice its large financial interests in Russia in order to promote the cause of counter-revolution, and why should the British engineers knowingly risk their lives in such a cause?

Foreign perplexities as to the truth of the charges were increased by unfamiliarity with Soviet judicial procedure. Though the case was heard publicly by a panel of judges of the Soviet Supreme Court, the actual trial of fact occurred during the preliminary secret hearings held by the Soviet police. The court presumed the guilt of the accused on the basis of information acquired during these hearings and, in accordance with Soviet procedure, threw upon them the onus of disproving the evidence. The accused in this unfamiliar judicial atmosphere made an inept attempt at defense, and their counsel, again in accordance with Soviet procedure, played a passive rôle in the drama. The trial thus consisted in the main of a series of aggressive accusations by the Soviet prosecutor and vigorous but unsupported denials by those among the accused who protested their innocence. Foreign press representatives who listened to the evidence

were no more certain regarding the actual truth than were observers in other countries. Walter Duranty, in a dispatch to *The New York Times*, suggested that the prosecution "had something on" the British engineers which was not revealed in the indictment or during the trial, but which so undermined the security of the accused that they were unable to make an effective defense against the charges actually brought against them.

If the event concerned solely the fate of the few individuals involved, it would not merit the attention the world has given it. But issues of graver import touching upon the future of Soviet foreign relations are involved. Already the case has ended, for the time being at least, any hope of an Anglo-Soviet rapprochement and, indeed, has brought the two countries to the verge of an open break. When the demand of the British Government for the release of its nationals was disregarded, London abruptly terminated negotiations for a trade agreement and sent the Soviet commissioners home. This step was followed by others increasingly aggressive. When, on March 30, Sir Esmond Ovey, the British Ambassador, was recalled to London for consultation with his government, the press interpreted the action as the first step toward a severing of diplomatic relations.

The British Government, on April 4, introduced a bill, which was passed by Parliament and became law on April 13, giving the Cabinet discretionary power to declare a complete or partial boycott on Soviet imports. The Soviet Government retaliated on April 22 by a decree which launched a comprehensive attack on British trade interests, prohibiting the importation of British goods, the chartering on Soviet account of any ship flying the British flag and the use by Soviet trading agencies of British ports as points of transit and re-export. Other retaliatory measures were included in the decree, such as port duties discriminating against British ships and restrictions on British goods in transit through Soviet territory. Thus far the British Government has not made public the details of its embargo policy against Russia, nor has an open break of diplomatic relations occurred. These final steps, it is said, are being held in reserve in the hope that the Soviet Government may yet be moved to release the British prisoners; but even if this should happen the incident will have left the relations of the two countries in the worst condition in many years.

The episode, moreover, has damaged appreciably the likelihood of early recognition of the Soviet Union by the United States. American public comment on the trial has been consistently unfavorable, while the American people, accustomed to Anglo-Saxon judicial institutions, have found it difficult to understand that the Soviet procedure constituted a fair trial. Press reports of numerous summary executions by the Soviet police have added to the feeling of uncertainty as to the administration of justice in Russia. The Communist leaders, in their handling of the Metropolitan-Vickers case, have shown concern over its effect upon American opinion, and it is thought that the mild sentences given the British prisoners were prompted by this consideration. After it became evident that the Soviet Union, as the result of the incident, would be involved in a trade war with Great Britain, the Soviet Commissariat of Foreign Trade suggested that their purchases might be transferred from that country to the United

States if the way were cleared by the establishment of treaty relations. But these conciliatory gestures have not had a favorable effect upon public opinion. Congress has received an increasing number of protests against the recognition policy from various organized groups in this country. When Senator Borah, on April 12, again appealed to the Senate for recognition of the Union, the proposal was vigorously combatted by other members in that body. Although unrelated to the Moscow trial, the fact that Russia's relations with Japan have also changed for the worse must be viewed as an indication of the Soviet Union's unsettled position in international affairs. (See Professor Dennett's article on page 379 of this issue.)

ECONOMIC ADVANCE

Within the Soviet Union conditions appear to have improved substantially from the low point reached in mid-Winter. True, the American press has recently published stories of widespread famine with "thousands already dead and millions menaced with death from starvation," but, judging from observations of Americans in Russia who are familiar with the situation, such statements seem to exaggerate the difficulties confronting the Russian people. The urban population in some regions is still on short rations and there is severe food shortage in the peasant areas of the Ukraine, North Caucasus and lower Volga. The government, however, has the situation well enough in hand to prevent actual starvation, though there is evidence of a widespread mortality from disease resulting from malnutrition. No open rebellion of the people against intolerable living conditions has appeared, nor are there any signs that the present Communist régime is losing its control over either the party or the country at large. On the contrary, the measures for increased discipline described in these pages in previous months have been put into effect without difficulty.

The government now feels confident of victory in its struggle to expand the output of the principal grain-producing areas. This struggle, the crucial phase of this year's domestic program, has been recognized by the Soviet press as the turning point of the entire Communist plan. Official figures published on April 20 record a sown area approximately three times that of last year at this date—25,000,000 acres, as against 8,000,000 in 1932. These gains have been made chiefly in the regions whose unsatisfactory record last year precipitated the current food crisis. Thus, in the Ukraine 7,000,000 acres had been sown by mid-April, as against 1,250,000 acres last year; in the North Caucasus the figures are 3,500,000 acres, as against 2,250,000 acres, and in the lower Volga 3,500,000 acres, as against 50,000 acres. Given a good harvest, these increases in Russia's agrarian resources may well have a decisive effect on the political situation in the country and upon the future development of the Communist program.

Along with these gains in agriculture has gone a substantial improvement in Soviet industry. According to government figures, coal, pig iron, steel, oil, automobiles, tractors, locomotives and machine tools have shown, since Jan. 1, increases ranging from 20 to 35 per cent. It is also reported that production costs have declined, though this is difficult to ascertain in the Soviet system of arbitrary prices and rationed goods. Information is wanting with regard to the progress of the light industries whose social importance in the existing situation is paramount.

Persia Checkmates Britain

By Robert L. Baker

Persia appears to have won a complete victory in her dispute with the powerful Anglo-Persian Oil Company, although the latter was supported at important stages in the contest by the British Government, which held stock in the company and valued its great concession as a naval oil reserve. While a revision of the old lease was expected, the sweeping changes made in the new lease signed on April 30 came as a surprise.

The vigorously nationalistic Persian Government, under the influence of Riza Shah Pahlevi, as already explained in these pages, became dissatisfied with the terms of the company's concession and canceled it on Nov. 26. When negotiations between the company and the Persian Government failed, the British Government took the part of the company and suggested that appeal be made to the World Court. Persia objected to this course, but agreed to place the dispute before the Council of the League of Nations. In debate, Persia's advocate, Mirza Ali Khan Davar, made a splendid showing against Sir John Simon. Private discussions between the principals followed under the guidance of Eduard Benes, the Czechoslovak Foreign Minister, and on Feb. 2 an acceptable formula was found. In accordance with Persia's demand, direct negotiations between the Persian Government and the company were resumed and the British Government dropped out of the dispute.

Sir John Cadman, chairman of the company, and his staff of experts arrived by air at Teheran on April 3. The Persian Government meanwhile had engaged an American geologist, Swiss and English legal experts and an expert English accountant as advisers. While discussions of the experts were in progress Riza Shah gave new evidence of his energy by requiring that a settlement be reached within a week. Under this spur the terms of a new lease were quickly agreed upon and signed on April 30. The full text of the lease is to be published as soon as the Persian Parliament ratifies it. Among the terms made public are the following:

1. The area of the concession to be half the previous area until 1938, and thereafter 100,000 square miles. The previous concession covered 500,000 square miles.
2. The company to pay four shillings a ton on oil sold in Persia or exported.
3. Twenty per cent of the net profits of the company, whether made in Persia or abroad, to be paid to the Persian Government after the payment of £671,000 to the stockholders.
4. Arrangements to be made for safeguarding the Persian Government in case of a further depreciation of sterling.
5. The company to pay £225,000 in taxation to Persia during the first fifteen years and £300,000 during the second fifteen years, the subsequent amount to be agreed on.
6. The company to replace progressively its foreign employes by Persians and to spend £10,000 a year educating Persians in Great Britain.
7. Gulf of Mexico or Rumanian prices, whichever may be lower, to be the basic price of oil sold in Persia; oil sold to the public from the refinery 10 per cent less, and to the Persian Government 25 per cent less.

The new lease differs from the old in the payment of a set royalty per ton of oil extracted that amounts in effect to four shillings (gold value), regardless of the price on the world

market, instead of the former 16 per cent of the net profits; in the eventual restriction of the area of the concession to approximately that of the fields actually under development and crossed by pipe lines (one of Persia's chief complaints was that the company, after finding the large deposits at Masjid-i-Suleiman and Haft-Kel, ceased exploration and development elsewhere in the huge concession, although the terms of the old lease prohibited such activity on the part of other companies); in labor policy, which requires the increasing employment of Persians; in the exceptionally favorable prices of refined oil to Persian consumers and to the Persian Government; and in additional profits to the Persian Government when the oil industry is prosperous.

Persia has been victorious at every step of the dispute, not only because she had equitable grounds of complaint and presented her case ably, but mainly because of her obvious determination to bring about a change —to assert her sovereignty over her resources even in the face of formal contracts. Great Britain's passive acceptance of Persian demands is the more surprising in view of Conservative dominance in the British Government. The victory of Persia may have far-reaching significance, as it has established a notable precedent in relations between so-called backward nations and powerful concessionaries.

TURCO-AMERICAN RELATIONS

The resignation of General Charles H. Sherrill as American Ambassador to Turkey and Turkish regrets at his retirement recall the excellent work of American envoys to the young republic. The American Ambassador in Turkey is usually regarded as the only important member of the diplomatic corps whose judgment on Turkey's problems can be considered as unbiased. The United States has no vital political interests in the Eastern Mediterranean and its representative is more likely to study Turkey's problems solely from the Turkish standpoint. His advice is frequently sought and followed. The same American objectivity also accounts for the employment of the comparatively large number of Americans as advisers and experts. The Turks feel that they can rely more confidently on the loyalty of Americans than on that of the nationals of the European powers.

General Sherrill leaves Turkey with two achievements to his credit. The first was the suppression of Turkey's drug traffic, which had hampered international efforts at control for many years. This reform was secured through the personal intervention of General Sherrill with Mustapha Kemal. Secondly, General Sherrill persuaded the Turkish Government to alter its policy of limiting American imports and to admit American products equal in value to Turkish exports to the United States. Spain is the only other country to which this privilege has thus far been accorded.

Although on excellent diplomatic terms with Soviet Russia, Turkey is determined to prevent the growth of communism in her own territory. The publication of Communist propaganda is prohibited and manifestations are dealt with severely. It is estimated that about 100 Communists are now in Turkish prisons. The government is planning a separate prison for them to prevent their spreading Communist ideas among other prisoners.

PROGRESS IN PALESTINE

Jerusalem has recently witnessed a number of celebrations and dedications of considerable interest to both Jews and Christians abroad. The first,

on April 7, was the official opening of radio-telephonic communication between Palestine and Great Britain and from there by relay with the rest of the world. Sir Philip Cunliffe-Lister, the British Colonial Secretary, was present in Jerusalem to inaugurate the service. Another event was the dedication of the new buildings of the Y. M. C. A. by Lord Allenby. The plant, which cost nearly $1,000,000 and contains all the educational, athletic and social equipment of the larger American Y. M. C. A. centres, was the gift of the late James N. Jarvie of Montclair, N. J. Activities have been prepared to make the association useful to Christians, Jews and Arabs alike. Architecturally, the group harmonizes with its surroundings and is surmounted by a lofty tower from which the best view of Jerusalem and its environs can be obtained. During April, also, the fine open-air theatre on the eastern slope of Mount Scopus, presented to the Hebrew University by Samuel Untermyer as a memorial to his wife, was dedicated.

In order to prevent the distinctive appearance of Jerusalem from being spoiled by unsuitable building projects, Lord Allenby in 1918 gave his support to a plan for the future development of the city in harmony with its traditions. The plan was drawn up by Dr. W. H. McLean, who planned the new city of Khartoum, and the object is to insure the proper restoration and preservation of the Old City, to prevent further building near the walls of the Old City and to regulate improvements outside the walls. Regulations to this effect were drawn up and subsequent construction has followed the general plan.

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America's Far Eastern Bias

By TYLER DENNETT
Professor of International Relations, Princeton University

THE most notable exposition yet made of American policy with reference to the Manchurian dispute was by William R. Castle Jr., former Under-Secretary of State, at the annual meeting of the American Academy of Political and Social Science in Philadelphia on April 7. The remarkable feature of the address was its frank appraisal and criticism of a policy in which the speaker had had a share.

One of the prime motives leading to the formation of American policy, he intimated, was the tradition that the United States is "China's defender against the encroachments of Western civilization. One never quite knows how such traditions originate or what keeps them alive, but that they affect government policy is indubitable since governments hesitate to fly in the face of public sentiment." American sympathy for China was instinctive because the latter appeared to be the under-dog. On previous occasions, as in the Russo-Japanese War, where Japan appeared to be the under-dog, American sympathy went out in equal measure instinctively to the Japanese.

The second motive of the Hoover administration was, according to Mr. Castle, the desire to contribute to the maintenance of the peace machinery. "The Japanese accept the post-war treaties as expressions of wholly admirable opinion, but not as obliging them to forego actions for the good of the State. They do not accept them literally, as I hope the Western nations accept them—as Hoover and MacDonald accepted the Kellogg pact, for example—as a compelling and restraining axiom of national policy." No American has yet made so sympathetically and yet constructively a criticism of recent Japanese policy.

"As one looks back over the history of the last two years," continued Mr. Castle, "especially in the light of that admirable document, the Lytton report, one can see where mistakes were undoubtedly made. But the mistakes came from lack of full realization of what was going on and from the influence of wholly laudable sentiment." Mr. Castle explained that the failure of the American Government to take a stronger stand against Japan at the very beginning was due to failure to realize the far-reaching nature of the Japanese military plans and the enthusiastic support which the Japanese people accorded to their military leaders. The American Government sought to formulate a policy which would support the moderate Japanese leaders in their struggle against the extremists. "In other words, we had no conception of the complete break-down of civil government in the island empire. Even so, however, the moderation of the American Government was justified. A belligerent attitude would have created bitterness which might have led to disastrous consequences."

A second criticism offered by the former Under-Secretary of State is that the American Government failed adequately to consider the provocation which China had given by years of misrule in Manchuria. "In other

words, we ignored the fact which Japan could not ignore that only a drastic change in the whole situation could safeguard undoubted Japanese rights in Manchuria." Mr. Castle regards it as certain that at the outset the Japanese had no thought of annexing Manchuria and very probably no idea of creating an independent State. The indignant reaction of both the League and the United States to the Japanese action consolidated Japanese national spirit. "Both the League and the United States accepted unquestioningly the Chinese point of view. It was a correct point of view only if it is possible to isolate a minute of time from the centuries that have gone before and the centuries which must follow. At the moment, Japan was undoubtedly the aggressor, and as such to be condemned."

Mr. Castle believes that, if less sympathy had been shown for China at the outset, direct negotiations might have been insured. And he further believes that Japan would then have been willing to accept conditions with which she will not now be satisfied. He revealed that during the Washington conference the Chinese and Japanese were on the point of engaging in direct negotiations for the settlement of Manchurian affairs, but at that time Secretary Hughes, eager to clear up the Shantung question, advised the Chinese to discuss Manchuria with Japan after the conference.

Defending at some length the nonrecognition doctrine, Mr. Castle explained it as a measure put forward by the administration as a substitute for the imposition of sanctions. "The enunciation of the doctrine stopped for the time, at least," declared Mr. Castle, "the imposition of sanctions which might well have meant war."

Viscount Kikyjiro Ishii, former Japanese Ambassador in Washington and also at one time Japanese Foreign Minister, sailed for San Francisco on May 4 for conversations in Washington and to attend the World Economic Conference. His presence at the head of the Japanese delegation indicated that the Japanese Government was prepared to discuss in Washington political as well as economic questions. Ishii has been one of the chief exponents of the idea of a Japanese Monroe Doctrine.

SOVIET-JAPANESE RELATIONS

The most recent dispute between the Soviet Union and Japan has arisen over the rolling stock of the Chinese Eastern Railway. Japan's professed interest in this line is based upon the claim that Manchukuo has inherited the interests of the elder Marshal Chang, who had made a treaty with Moscow by which the latter recognized Manchuria's independence of Nanking. On March 28, Manchukuo guards at Manchuli seized four westbound trains to prevent them from crossing into Siberia, and Tokyo demanded the return of rolling stock which had previously been retained by the Russians. It was reported from Tokyo that Russia promptly agreed to the return of 3,800 freight cars, but the dispute continued. Manchukuo, it was announced on April 9, would demand $200,000,000 in gold as indemnity. Later the Tokyo claim was revised to 3,200 freight cars, 190 passenger cars and eighty-three locomotives. Moscow replied that the Japanese had not yet paid for the transportation of Japanese troops and that it had also failed to protect the road from bandits. Furthermore, Soviet citizens had suffered from "murder, looting and mass arrests."

The reports give the impression that there had been haggling as preliminary to some sort of business deal

by which the Soviet Government would offer to dispose of the road to Japan. Such a proposal appears to have been made in Moscow at the time that L. M. Karakhan, the Vice Commissar of Foreign Affairs, handed to the Japanese Ambassador a Soviet note of protest. Apparently Japan suggested that the proposed price of $21,500,000 be considered an offset to the $107,000,000 of Japanese claims against Russia. Any transfer to Manchukuo or to Japan of Russian interests in the Chinese Eastern would, in fact, involve the transfer also of the claims of France for reimbursement for the loans to the Czarist Government by which the building of the railway was financed. But nobody likes to buy claims.

Meanwhile, Japan has opened the new 108-mile branch railway from Tunhwa to the Tumen River. Soon Japan will be able, by means of a "submarine-proof" sea route to Rashin, on the Korean coast, to turn into Northern Manchuria a new stream of troops. The development of this new route into Manchuria does not improve the relative commercial position of Vladivostok. While Moscow dispatches declare that the Soviet Government is becoming irritated with Japan, Japanese reports do not seem to warrant any revision of the statement that Soviet policy toward Japan remains conciliatory in the face of some degree of provocation.

In the light of this friction, added significance is given to the arrival of Dmitri Bogomolov, the new Soviet Ambassador to China, with a staff of ten, including a Consul General for Shanghai, in the latter city on April 23.

JAPAN INVADES CHINA

To no portion of the Lytton report did the Japanese object more strenuously than the recommendation that the Sino-Japanese negotiations, which must come sooner or later, should take place under League supervision. For Japan, who has always desired direct negotiations, the obvious strategy is to maintain pressure upon China until the latter discovers that it is more advantageous to submit to unsupervised, direct negotiations than to wait for protection from Geneva which, quite certainly, will not be forthcoming. This seems to be the explanation for the new Japanese drive south of the Great Wall which was launched early in April.

The Japanese advance opened in typical fashion. First, there were warnings that Chinese troops must desist from the sporadic attacks along the Great Wall; then, on April 1, troops began to march into the triangle formed by the Great Wall, the Lwan River and the sea. Three days later Japanese planes bombed Dolonor, 124 miles northwest of Jehol, and continued operations in this region until Dolonor was occupied.

In the Lwan triangle the Chinese put up a stiffer fight than in Jehol. On April 10 a swift offensive by the Japanese along four routes through the Great Wall brought about a general retreat of the Chinese forces. And Peiping again began to ship art treasures to Shanghai. After being once driven out, the Japanese, on April 15, recaptured Chinwangtao, a popular holiday resort and the transport base and Summer camp of the Fifteenth United States Infantry. Tungchow, only ten miles east of Peiping, a famous American mission station, was bombed on April 18, and the next day American mission property at Miyun, fifty miles north of Peiping, received similar treatment. The Japanese, however, promptly of-

fered to pay damages. When the Japanese drive suddenly halted on April 22, the Chinese claimed that they had forced the enemy back; but the Japanese declared that they had obtained their objective and that a neutral zone south of the Great Wall would be set up. There were rumors of the creation of a new State—"Huapeikuo." The Japanese troops proved difficult to restrain, but by April 25 they were reported as "hurriedly withdrawing." The explanation for the retreat appears to have been, not the Chinese offensive, nor the attainment of Japanese aims, but the rapidly maturing trouble with the Soviets over the rolling stock of the Chinese Eastern.

After eleven years of disuse, Port Arthur, which was abandoned after the Washington Naval Conference in 1922, will be restored as a Japanese secondary naval base. Interesting questions are ahead as to the future development of Japanese naval forces in the Far East. Will the re-establishment at Port Arthur lead Manchukuo to discover that it needs a navy of its own, in addition to Japan's? If such a demand were to be made, the question would then arise as to whether Manchukuo is in any way bound by the Washington Naval Treaty, to which Japan, but not China, was a party. The treaty is terminable on Dec. 31, 1936, upon notice given two years in advance, that is, on Dec. 31, 1934. Japan has already given notice to the disarmament conference that she will seek an increase in the naval ratio.

JAPANESE DOMESTIC AFFAIRS

The National Cabinet of Japan, under Premier Saito, staggers on, though each month there are fresh rumors of its impending fall. Prince Saionji is reported to favor its continuation, but Minister of Justice Koyama tendered his resignation on April 6 and Finance Minister Takahashi—now 88 years old—is believed to be anxious to retire as soon as his successor can be found. Premier Saito did not make himself better liked by requesting the Emperor not to accept the Koyama resignation. The new budget, although accepted by the Diet, is unpopular.

On the other hand, Japan is still reaping benefits from going off the gold standard. The cost of living is rising slowly and Japan's exports in 1932 increased 23 per cent over 1931. Cotton goods and raw silk account for half of these exports. The Manchurian expedition has thus far cost a little less than 600,000,000 yen (at par the yen is worth 49.85 cents). General Araki estimates that from 1935 onward this item will fall to 70,000,000 yen annually. The per capita debt of Japan proper is 106 yen, but some observers believe that a national debt of 10,000,000,000 yen "need cause no anxiety when normal trade returns."

CHINESE TRADE-MARKS

In view of the charges current in the United States that in China there are constant infringements of trade-marks and that the Trade-Mark Bureau itself is corrupt, the following quotation from a letter from that bureau may have point: "The bureau has never accepted for registration the mark of a Chinese product that is obviously an imitation, after a protest was lodged against it. Nor has the bureau voided registration previously granted a foreign concern in favor of the Chinese competitor. The Chinese trade-mark law provides ample opportunity to a trade-mark owner to protest against an imitation. * * * The Chinese trade-mark law is not inferior to any good trade-mark law in the world. It was drafted on the principle of priority of use in China. It makes no distinction of nationality or classes of people; it * * * treats Chinese and foreigners alike."

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